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IRISH GIVE PEACE A CHANCE

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John Hume, right, leader of a moderate Catholic party, signaling victory in Belfast after the votes were counted.

After a Resounding 'Yes,' Ulster Plans for Elections

By T. R. Reid and Dan Balz
Washington Post Service

BELFAST — After the resounding "yes" vote in favor of the ambitious peace plan designed to revamp the government of Northern Ireland, politicians went back to work Sunday to prepare for the next major step in the peace process: another crucial election, just a month away.

Prayers of thanks were recited in both Protestant and Roman Catholic churches Sunday morning as the citizens of the British province looked back on this weekend's overwhelming popular vote in favor of the peace plan, designed to end of the most intractable civil wars of recent history.

One key reason that the so-called Good Friday agreement was put to a popular referendum was to give it an underlying authority that previous, failed peace plans have lacked. Based on the developments Sunday, the strategy seems to be working.

The 71 percent "yes" vote won unanimous praise from Irish and British newspapers Sunday. And some politicians who had opposed the plan until the voting Friday began scrambling the other direction this weekend.

"I believe we can make this plan work," said Jeffrey Donaldson, a prominent Protestant political figure who has campaigned against the agreement for the past month.

One explanation for this kind of turnaround might be found in exit poll data released Sunday morning.

In the referendum election, the British government, which supervised the voting, gathered the ballots from every precinct into a single room and announced only one province-wide result. This was an effort to de-emphasize the sharp sectarian differences among the divided neighborhoods here.

But exit polling by Coopers and Lybrand provides a glance inside the overall total. The poll shows that all sectors of the population, Catholic and Protestant, pro-British and pro-Irish, gave the agreement majority support. Catholics voted "yes" by a margin of 96 percent to 4 percent; Protestants supported the agreement by a margin of 55 percent to 45 percent, according to the survey.

More important, the districts represented by some of the most outspoken opponents of the agreement voted in favor of the plan. Polling in the Bangor neighborhood represented by Robert McCartney, a staunch "no," showed that most of Mr. McCartney's constituents apparently voted "yes" on Friday.

That pattern could bode ill for opponents of the plan when Northern Ireland votes on June 25 to elect the members of a new Northern Ireland Assembly. This body is to take over local government functions now run by the British government.

Nearly a dozen political parties are expected to battle for spots in the 108-member assembly. With just a month until the next election day, party leaders were meeting Sunday to pick their candidates and to start organizing.

"The next campaign," said Seamus Mallon of the Social Democratic and Labour Party, "starts right now."

The election next month will be carried out under a complex proportional-representation voting system borrowed from multiparty European democracies. It is designed to assure that even tiny parties end up with a few seats.

The electoral system puts a premium on name recognition, and thus the leading names of Northern Ireland politics, including Gerry Adams, the Sinn Féin leader, David Trimble, the head of the Ulster Unionists, and John Hume, founder of the Social Democrats, are all expected to win seats.

That could produce considerable melodrama at assembly sessions because some of those leaders have been sworn enemies for years.

The referendum Friday prompted the largest voter turnout ever here as 71.1 percent gave their approval to the agreement reached April 10 after two years of multiparty negotiations.

Voters in the Irish Republic backed the plan by an even stronger margin, with 94.4 percent supporting changes in their country's constitution that will be necessary for the plan to be carried out.

Indonesia Awaits Reform Package

Release of Dissidents Expected Will Ethnic Tolerance Survive?

By Michael Richardson
International Herald Tribune

JAKARTA — In a move to improve Indonesia's widely questioned reformist credentials and gain urgently needed international financial aid, President B.J. Habibie is expected to announce a political reform package Monday, including the release of several prominent detainees, officials and diplomats said Sunday. He also hinted that he might be ready to hold elections within a year, a leading opposition figure said.

Mr. Habibie, a protégé of former President Suharto, who resigned Wednesday, seems anxious to distance himself from his predecessor's autocratic ways.

The opposition figure, the top Muslim politician Amien Rais, said Sunday that the president told him Saturday night that it would take at least six months to carry out key political reforms, including laws related to really democratic elections.

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By Nicholas D. Kristof
New York Times Service

SURABAYA, Indonesia — To travel around Indonesia is to be overwhelmed by its diversity, from the tribespeople at the eastern end of the country who wear loincloths (or even less) to the strict Muslims at the western tip, where some women could scarcely wear more.

About all those two areas have in common, in fact, is a history of secessionist movements.

So the collapse of the strongman rule of President Suharto, toppled last week after 32 years in power, raises basic questions about the future of an illogical chain of 17,000 islands that today are clumped together as Indonesia.

Mr. Suharto was a ruthless leader, but he forged modern Indonesia, suppressing militant Islam in a country where 90 percent of the people are Muslims and preaching harmony with the Christian, Hindu and animist minorities. Partly because of his sermons about moderation, and partly because of his readiness to use brute force, he not only held together this improbable archipelago but even expanded it by invading East Timor in 1975 and adding it to his island collection.

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No Victory Celebrations As Region Ponders Future

Naysayers to Carry Fight to New Assembly

By Warren Hoge
New York Times Service

BELFAST — "You want to put those in a skinny bag or in these heavy ones that look bulletproof?" Ronnie Kane, proprietor of R. J. Kane Confectionery, Newsagent, Tobaccoist, cheerfully asked a customer hawking the morning papers in central Belfast. "Let's hope we'll be having less need for them now."

Checking that no one was watching, he stepped from behind the counter and gave the air a barely visible jab. "I'm really excited," he murmured, "but I know we've still got a painful process ahead of us."

In this unforgiving land where until this weekend the response "no" always came more readily than "yes," the concealed gesture and wary comment was typical of the overriding feelings of anxiety about the future and the traditional reluctance to have much of a demonstrative reaction to something even as historic as the referendum Friday.

The all-island vote gave overwhelming support to a plan that could fundamentally transform Northern Ireland's political and social structure and begin reconciliation between its warring Roman Catholic and Protestant populations.

Mo Mowlam, Britain's secretary for Northern Ireland, said, "They have voted to take the gun out of politics, North and South."

The key question of whether the fiercely contested Protestant vote in the

North endorsed the accord could not be conclusively answered because of the comingling of all the ballots from the province in one counting location in Belfast. But it was widely accepted before the balloting that a "yes" vote of 70 percent or higher mathematically meant that a majority of Protestants had voted "yes," and an exit poll in The Sunday Times of London said 55 percent of Protestants had voted in favor.

While the results offered evidence that Northern Ireland was turning away from its debilitating culture of sectarian violence, tribal politics and irremediable distrust, the spirit here was a less elated one that focused on the trials ahead.

Foreign photographers returned from a tour of the capital complaining that they could find no merriment on the streets and no fairs or parades other than the grim convoys of armor-plated Royal Ulster Constabulary vans.

Local television had to broadcast footage from Irish bars in New York and Washington to capture scenes of celebration.

Weighing on people's minds in the aftermath of the stirring experiences of recent days are worries about the amount of arms still in the hands of underground groups, continuing violence from splinter paramilitary groups, the coming release of prisoners, the reform of the police force, the religious marches that in recent years have caused riots, the fault lines that emerged in the pattern of voting in the once-monolithic

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2 Czech Cities to Wall Off Their 'Problematic' Gypsies

By Peter S. Green
International Herald Tribune

USTINADLABEM, Czech Republic — Two Czech cities have decided to fence in what they call "problematic" public housing residents, creating what is virtually a ghetto for the residents, mainly Gypsies, who officials say ruin the calm, orderly life of their neighbors.

City officials say fencing in such citizens, and guarding them with round-the-clock police patrols, is the only sensible way to deal with people who refuse to pay rent on their city-owned apartments, throw garbage into the street and gather on sidewalks talking, singing and some-

times drinking until late in the night.

Street-side socializing may be a way of life in Madrid, Rome or New York, but in this depressed industrial city on the banks of the Elbe river, city officials have agreed to spend 350,000 koruny (\$10,900) to stop such behavior. They will build two four-meter-high (13-foot) walls around a pair of decrepit two-story apartment buildings that house 39 Gypsy families.

"The fence will separate this problematic community from those people who have private houses on the road," said Milan Knotek, spokesman for the Usti city hall. "The wall will not stop them from moving about. It will not

be a ghetto enclosed on four sides."

In fact, three fences and an abandoned building will effectively limit access to the two buildings, on Matiční Street in a poor, crumbling district of Usti, and city officials have promised to maintain their around-the-clock police patrols.

In Pilsen, the beer-brewing capital of Bohemia, elected officials plan a fenced-in compound on the city's outskirts for several hundred public housing residents. Ten portable cabins will hold several hundred residents in a dormitory setup. Residents will be free to come and go, while a police station inside the compound will keep a 24-hour watch. A city-appointed warden

will supervise the cabins and grounds.

"The caretaker would have the right to enter any room, whether the resident agrees or not," Petr Čekal, a city council official, said in an interview with the newspaper Mlada Fronta Dnes.

"This is a concentration camp," said Pavel Dostal, a Social Democratic member of Parliament. He said it was clear that the Pilsen camp would be disproportionately filled with Roma, as Gypsies prefer to be called, who are usually the poorest and least educated of Czechs.

"This is how the Nazis started to 'solve' the Jewish question," Mr.

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Year Into Khatami's Term, Tension Mounts in Iran

Hard-Liners Assail Small Steps to Open Society.

By Douglas Jehl
New York Times Service

TEHRAN — One year after an election that changed the face of Iranian politics, students and other Iranians gathered by the thousands here to celebrate the openness instilled by President Mohammed Khatami.

But the anniversary rally came against a backdrop of sharpening tension between the moderate Iranians who reveled in the memory of Mr. Khatami's overwhelming victory and conservatives who view his popularity as a threat to their longtime grip on power.

Along with Iran's supreme leader, the

more conservative Ayatollah Sayed Ali Khamenei, Mr. Khatami has tried to calm that strained environment in recent weeks. But his caution has frustrated some supporters, who had hoped he would prove more willing to confront rival factions.

[Mr. Khatami called at the rally for Iranians to respect free expression, The Associated Press reported. He was greeted with a 15-minute ovation from the jubilant crowd, made up equally of men and women who had marched through the capital to the university, waving pictures of the president. His address was interrupted repeatedly by chants of "Khatami, we love you," and "Long live Khatami."

"People have the right to demand their freedom from the government, but within the law," Mr. Khatami said. But he hushed the crowd when it began chanting "Death to America" and "Death to the monopoly of power," slogans popular under the previous, hard-line government. "In this gathering I prefer that we talk about life, not death," he said.

While the gathering Saturday was generally buoyant, it reflected consciousness of a divide in Iranian society. Some fear that the country is moving too quickly from the restrictive spirit of the

Newstand Prices	
Bahrain	1.000 BD
Cyprus	£ 1.00
Denmark	14.00 DKR
Finland	12.00 FM
Gibraltar	0.85
Great Britain	£ 0.90
Egypt	£ 5.50
Jordan	1.250 JD
Kuwait	7.00 KWD
Malta	55 c
Nigeria	12000 Naira
Oman	1.250 OR
Qatar	10.00 QR
Saudi Arabia	10.00 SR
S. Africa	R12
U.A.E.	10.00 Dh
U.S. (Excl.)	£ 1.20
Zimbabwe	Zm \$40.00

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AGENDA



RAIN DISRUPTS HONG KONG VOTING — An elderly woman being helped Sunday into a flooded polling place in the New Territories, as voters braved the elements and turned out in record numbers. Page 4.

'Eternity of a Day' Wins Golden Palm

CANNES (AP) — A poet's struggle with memory and death in "The Eternity of a Day" (Mia Eoniotita Ke Mia Mera), by the Greek director Theo Angelopoulos, won the Golden Palm on Sunday at the 51st Cannes International Film Festival.

But the wildest applause greeted the festival's runner-up, The Grand Prize went to "La Vita e Bella" (Life is Beautiful) by Roberto Benigni of Italy, who directed and starred as a father who uses desperate and hilarious means to shield his son from the reality of a Nazi death camp.

John Boorman of Britain was chosen as best director for "The General," the story of a Robin Hood-style Irish criminal hunted by the police and

the IRA. Peter Mullan of Britain won for his acting in the lead role of "My Name is Joe," about a reformed alcoholic who falls in love.

Sharing the award for best actress were Elodie Bouchez and Natacha Regnier of France for their roles as two young working-class rebels in "La Vie Revee des Anges" (The Dream Life of Angels). Hal Hartley of the United States won for his screenplay for "Henry Fool," about a maladjusted garbage man encouraged to develop his literary skills by a downstairs tenant with a dark past. The Jury Prize was shared by "La Classe de Neige" (The Class Trip), by Claude Miller of France; and "Festen" (Celebration), by Thomas Vinterberg of Denmark.

Center-Right Party Leads in Hungary

BUDAPEST (Reuters) — Hungary's center-right Hungarian Civic Party, or Fidesz, piled up big gains in official tallies of second-round elections Sunday and looked likely to form the next government.

"I'd like to congratulate Fidesz for its results," Prime Minister Gyula Horn, a Socialist, said Sunday night.

With more than 96 percent of the vote counted, the National Electoral Commission projected Fidesz the winner at 8:45 P.M., saying it would get more than 37 percent of the seats in the 386-seat Parliament.

Fidesz, led by Viktor Orban, would

not get enough to govern by itself but would have to form a coalition with its center-right partner, the Hungarian Democratic Forum, and probably with the rural-based Independent Smallholders, analysts said.

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The Internet www.ihnt.com

A Drought's Trick / Submerged Town Reappears

The City That Refuses to Stay Under

By John Ward Anderson
Washington Post Service

GUERRERO VIEJO, Mexico — Historians who a half-century ago wrote the final chapter in the life of this 248-year-old border town can be forgiven for exaggerating its demise.

After all, it was abandoned by its 2,500 residents and submerged under 3 to 4 meters (10 to 12 feet) of water for four decades when the United States and Mexico dammed the Rio Grande to create a much-needed reservoir.

But today, because of a five-year drought in the border region, the waters have receded, and this once-magnificent Spanish colonial gem — complete with an amazingly well-preserved mission-style church and central plaza — has reappeared from the depths of Falcon Reservoir like a forgotten dream.

The water started to disappear in 1993, and it's never going to return, said Julia Zamora, 67, the lone resident and de facto mayor of Guerrero Viejo. The name — old Guerrero — distinguishes it from Guerrero Nuevo, the modern replacement city 55 kilometers (35 miles) to the south that the Mexican government built for families displaced by the reservoir in 1953.

True, the return of Guerrero Viejo from its watery tomb measures the severity of the border drought, which has shrunk the reservoir, often called Falcon Lake, from 360 square kilometers (140 square miles) to 70 square kilometers. The town has been dry since about 1995, and the shoreline of the reservoir is now more than three kilometers away.

But losing the water was like opening a time capsule. The customs house, the market, the girls' school, the once-famous Flores Hotel — all made of massive stones weighing up to 135 kilograms (300 pounds) — were still there. Volunteers cleared mud and debris from the huge main plaza, revealing the original diagonal walkways leading to the bandstand, still surrounded by eight large benches, in the center.

Water authorities say it is inevitable that the lake will rise again to cover Guerrero Viejo, so in the interim, archaeologists and conservation authorities are reinforcing the foundation of the town's crown jewel — a Franciscan mission-style church, La Iglesia de Nuestra Señora del Refugio, that was built in 1801. In recent decades, the top half of the church jutted above the surface of the lake, marking the northeast side of the plaza like a headstone. But the red sandstone walls, columns and foundation, often under water and battered by waves, began to erode.

"We are trying to save the town for the memory of our children," said Ruben Flores, 79, a physician who grew up in the old town and now lives in Guerrero Nuevo. "We want the name of Guerrero Viejo to be preserved."

Dr. Flores is head of a conservation group that has organized a one-year, \$100,000 project to rebuild some of the church's Romanesque arches and install a new roof. "The idea is to get the church to stand for at least another 45 years, regardless of the water level," he said.

The retreat of the reservoir has brought a host of other problems. Instead of water, the town is now under attack by scrub brush, small trees and cacti that are undermining the integrity of the remaining buildings. Vandals are carting away stones, and "looters are even tearing up the floor tiles in the church," said Sharon Cruz, executive director of Los Caminos del Rio, a binational, nonprofit group that is trying to persuade the Mexican government to declare the town a national park. She said grave robbers have violated once-submerged cemeteries, and "people are finding family heirlooms for sale at flea markets."

A sign at the beginning of a 13-kilometer dirt road leading to Guerrero Viejo calls it "the city that refuses to die," a reference to its cyclical reappearances during droughts, most recently in 1971 and 1985. Historically, according to the Rio Grande water master Cindy Martinez, who monitors and regulates the flow of water in the region for people who have water rights, the only thing that could refill the lake after these droughts were hurricanes.

According to Galan Hanson, the Falcon Dam project manager, the lake is 15 meters below its optimum level and has been this low only once before — in February 1957. "I can't tell you how long the current drought will last, but I can tell you the highest the lake has ever been was the following year — 1958."

After the river was blocked in late 1952, experts predicted that it could take several years for the water to back up against the new dam and flood Guerrero Viejo, which was founded in 1750. But unexpectedly strong rains in August 1953 turned the well-planned shift to Guerrero Nuevo into an overnight evacuation for some residents. They never returned.

The water continued crawling up the streets, spilling over the town square and inching up the sides of the buildings until finally this once-bustling border crossing, ranching community and trading and cultural center settled at the bottom of Falcon Lake. Fishermen cast their lines from the



Sergio Contreras, 13, in background, and Nerero Ramirez volunteered to cut brush, trees and cacti that could damage the church in Viejo Guerrero. A recent drought has put this border city, which was flooded to create the Falcon Reservoir, back on dry land.

top of the gazebo in the town plaza and paddled into the old church. Some scrawled their initials high in the nave.

For Mrs. Zamora, who dispenses soft drinks, \$1 entrance tickets and stories about her life to the increasing number of tourists, the re-emergence of Guerrero Viejo has been accompanied by bittersweet memories.

"I remember the day everyone left — it was very sad," Mrs. Zamora said. "It was such a beautiful town, and there were important families with great men and ladies, and I cried and cried."

History books, newspaper accounts and photographs document a pleasant, classical colonial town that grew to 40,000 people in 1848. The famed Flores Hotel, with its grand second-floor ballroom and luxury shop with imported European goods shipped up the Rio Grande by steamboat from New Orleans, drew visitors from as far as San Antonio, Texas, 400 kilometers to the north.

Orchestras in the bandstand would serenade young men and women as they strolled around the central plaza —

always walking in opposite directions so they could "accidentally" bump into each other and the boys could secretly squeeze love notes into the girls' hands as they swept by.

But the ravages of four wars, chronic unemployment and antiquated infrastructure started to catch up. By the time the flood came in 1953, only 2,500 residents remained. For most, the move to Guerrero Nuevo — with its paved roads, new hospital and school, running water and electricity — brought a vast improvement in creature comforts.

But not for Mrs. Zamora, who preferred the solitude of what rapidly became a ghost town. She and her husband claimed a building on high ground near the entrance to town that she says has never been under water. She moved to Guerrero Nuevo in 1979 when her husband required hospitalization but returned after his death.

"This town was so different and unique, and I felt so closed-in in the new city with all the people and activity," she explained. "It's beautiful and peaceful here. The sun and air are so free. I don't want to go anywhere else."

Q & A / Joseph Estrada

Philippine Election Victor Pledges to 'Unite' Country

With 80 percent of the ballots counted, the vice president of the Philippines, Joseph Estrada, has emerged as the clear-cut winner in the presidential election of May 11. Mr. Estrada, who will be inaugurated on June 30 as the successor to President Fidel Ramos, was interviewed Sunday at his residence in the Manila suburb of San Juan by Don Kirk for the International Herald Tribune.

Q. In the first four years after the overthrow of President Ferdinand Marcos in February 1986, there were five coup attempts staged by the Revolutionary Armed Forces Movement, or RAM. Do you think there's a chance of reverting to this kind of unrest?

A. During the term of President Aquino there were coup attempts, but there was a smooth turnover to President Ramos in 1992. Hopefully there will be a smooth turnover again. I don't think right now the RAM is capable of destabilizing the situation. Their leaders are already in the fold of the government.

Q. Critics are saying that you might resurrect the old cronies of Mr. Marcos. Is that true?

A. My mission is to unite the Filipino people. We will forgo this labeling in favor of honest-to-goodness reconciliation. I am identified with Marcos because I was a mayor during the period of martial law under Marcos, but I was detained twice because I didn't like Marcos.

Q. Mr. Marcos's widow, Imelda, is anxious for his body to be taken out of

deep freeze in his hometown of Batae in Ilocos Norte and buried in Heroes' Cemetery in Manila. What will be your response?

A. We will allow his body to be buried there. I am a Christian. Let us bury the past with his body and start life with a new beginning.

Q. A court has sentenced her to 12 years in prison on graft charges, and the final outcome is now up to the high court. Will you intervene on her behalf or pardon her?

A. Her fate is in the hands of the court. I believe in separation of the executive and the judiciary. In fairness to Mrs. Marcos, she has stated she will not ask for a pardon. If she doesn't ask for a pardon, why should I give her one? We have to respect the decision of the court.

Q. You have said you want to do away with the Presidential Commission on Good Government, responsible for pursuing corruption cases against Mrs. Marcos and the Marcos cronies. Does that mean you will see to it that these cases are dismissed?

A. These cases are already in the courts. I will not compromise the national interests for anyone.

Q. Low-level revolt still simmers in parts of the countryside. How do you plan to deal with it?

A. Within six months I will restore peace and order in this country. I will be serving concurrently as secretary of the Department of Interior and Local Government. We will pursue the peace process with the Moro Islamic Liberation



Nawaz Sharif: "The balance of power has been violently tilted."

Front in Mindanao in the south. I vowed that I would stay in Mindanao for three months of every year. I will be personally to see the priorities and the problem.

Q. The problem of how to deal with the regional downturn in the economy may be even more pressing. What are you going to do about it?

A. We have to first be economically stabilized domestically. I will concentrate on food security. Also I will lower interest rates. My administration is

No Tests Right Now, Pakistani Says

By Stephen Kinzer
New York Times Service

ISLAMABAD, Pakistan — With the world awaiting his decision on whether to lead Pakistan into the nuclear weapons club, Prime Minister Mian Nawaz Sharif said over the weekend that he was trying to act with restraint but that India's recent nuclear tests pose a "threat that may materialize at any moment."

"This fills us with apprehension even now," Mr. Sharif said at a news conference Saturday. "The balance of power in the region has been violently tilted."

The prime minister carefully avoided hinting at what decision he might make or when he might make it. But he seemed to suggest that no nuclear tests were imminent.

"We are being asked to show restraint," he said. "Have we not shown utmost restraint in all those years since we had the nuclear capacity?"

"The whole nation has demonstrated a sober and mature approach to this situation," he added. "We have not taken any action in haste. We have not acted in a fit-for-fat manner. We have not let any madness engulf us."

Western leaders fear that if Pakistan responds to India's tests with tests of its own, South Asia will be caught up in a highly dangerous nuclear arms race.

President Bill Clinton and Prime Minister Tony Blair of Britain have phoned Mr. Sharif to press this case. Mr. Sharif made no commitments, but he is expected to send a high-level delegation to Washington within a few days for talks with senior administration officials and members of Congress.

Efforts to dissuade Mr. Sharif from ordering nuclear tests

were set back last week when the Indian home minister, Lal Kishan Advani, warned that Pakistan should make concessions in disputes between the two countries because India's nuclear testing "has brought about a qualitatively new state in Indian-Pakistan relations." He said specifically that Pakistan should soften its position on the divided Kashmir region.

Mr. Sharif said the statements constituted "a nuclear declaration of hostility toward Pakistan."

In Washington, the State Department spokesman James Rubin also criticized Mr. Advani's statement. "India is foolishly and dangerously increasing tensions with its neighbors," he said.

Mr. Sharif expressed gratitude to Mr. Clinton, who made a third phone call Friday, his third since India's nuclear tests on May 11 and 13, and to leaders of Islamic countries and to "our friend China, which is a peaceful country."

Beijing, which like Islamabad has a long-standing rivalry with New Delhi, is believed to have supplied technology and materials for the Pakistani nuclear program. The Chinese foreign minister received a Pakistani delegation in Beijing last week.

Several Western countries and Japan have imposed economic sanctions on India since its nuclear explosions and threaten to do the same to Pakistan if it proceeds. Mr. Sharif said the threat of sanctions "is not only not new to us, but it does not rattle us."

Dancing diplomatically around the central question of whether Pakistan will begin nuclear testing, Mr. Sharif said only that there is "complete national consensus to respond to the challenges and the threat."

He promised to act "in our supreme national interest."

committed to free trade and a free market. We want to emphasize growth with equity, whatever the economic situation.

Q. You sided with the majority in the Philippine Senate in rejecting renewal of the treaty for the U.S. bases in 1991. Will you press for the Senate to approve the newly negotiated agreement on port visits and military exercises involving U.S. and Philippine forces?

A. Military visits will prove beneficial to our country, especially to our

armed forces. I welcome visits and war games. Our armed forces will learn many things from the Americans.

Q. But didn't you, as an actor and producer, perform in at least one anti-American movie?

A. I was in "The Eagle's Claw." I was a labor leader and just a plain truck driver seeing our women being abused by the Americans on the bases. It's not a record we like to talk about. As long as there were U.S. military bases, we would always be in a predicament in this coun-

try, and we would never be self-reliant. Mr. Ramos as president was quite close to the Americans. Where would you as his successor like U.S.-Philippine relations to go now?

A. I would like to strengthen the relationship for the mutual benefit of both our countries. Ramos was a West Pointer. He was American-trained. He concentrated on inviting American investors into our country. They are still our No. 1 investors. We will give priority to our No. 1 investors.

TRAVEL UPDATE

Restored Sphinx Awaits

CAIRO (AFP) — An immense white sheet spangled with golden stars will slide from the shoulders of Egypt's ancient Sphinx on Monday to officially unveil the monument after a \$2 million, 10-year restoration effort.

The scaffolding that had surrounded the Sphinx, which guards the pyramids of Giza southeast of Cairo, was removed at the end of last year as restoration work wound down.

The Sphinx has been plagued by fissures nearly since it was constructed 4,500 years ago out of blocks of limestone.

Air France Cancels Flights

PARIS (Reuters) — Air France was forced

to cancel up to 30 percent of its flights Sunday after pilots from three small unions started a two-day strike.

It was the second strike to hit Air France this month and more action is threatened during the forthcoming World Cup soccer tournament unless a planned 15 percent pay cut is abandoned.

Air France said the company could only guarantee 70 percent of its flights at Paris's second airport, Orly, while 85 percent of flights at the main airport, Roissy, were operating normally.

Bank unions in Greece called for a 24-hour nationwide strike Monday to protest a police raid at a striking bank that ended an occupation by employees opposed to a government decision to sell the bank.

This Week's Holidays

Banking and government offices will be closed or services curtailed in the following countries and their dependencies this week because of national and religious holidays:

MONDAY: Argentina, Bermuda, Brazil, Chad, Colombia, Gibraltar, Jamaica, Jordan, Madagascar, Mali, Mauritania, Namibia, Puerto Rico, Ukraine, Venezuela, United States, Zambia, Zimbabwe.

TUESDAY: Georgia.

THURSDAY: Armenia, Azerbaijan, Ethiopia, Morocco.

FRIDAY: Bahamas, Bahrain, Israel, Turkey.

SATURDAY: Croatia, Hong Kong, Macau, Nicaragua, Taiwan, Trinidad.

Sources: J.P. Morgan, Bloomberg, Reuters.

WEATHER

Forecast for Tuesday through Thursday, as provided by AccuWeather.

Europe

City	Today	Tomorrow	Day After
Algeria	21/10 13/20	20/20 10/20	20/20 10/20
Amsterdam	18/11 11/12	17/12 10/12	17/12 10/12
Antwerp	18/11 11/12	17/12 10/12	17/12 10/12
Athens	21/10 13/20	20/20 10/20	20/20 10/20
Berlin	18/11 11/12	17/12 10/12	17/12 10/12
Birmingham	18/11 11/12	17/12 10/12	17/12 10/12
Bombay	21/10 13/20	20/20 10/20	20/20 10/20
Boston	18/11 11/12	17/12 10/12	17/12 10/12
Buenos Aires	18/11 11/12	17/12 10/12	17/12 10/12
Calcutta	21/10 13/20	20/20 10/20	20/20 10/20
Cardiff	18/11 11/12	17/12 10/12	17/12 10/12
Chennai	21/10 13/20	20/20 10/20	20/20 10/20
Chicago	18/11 11/12	17/12 10/12	17/12 10/12
Colombo	21/10 13/20	20/20 10/20	20/20 10/20
Copenhagen	18/11 11/12	17/12 10/12	17/12 10/12
Dallas	18/11 11/12	17/12 10/12	17/12 10/12
Dhaka	21/10 13/20	20/20 10/20	20/20 10/20
Dublin	18/11 11/12	17/12 10/12	17/12 10/12
Edinburgh	18/11 11/12	17/12 10/12	17/12 10/12
Geneva	18/11 11/12	17/12 10/12	17/12 10/12
Helsinki	18/11 11/12	17/12 10/12	17/12 10/12
Hong Kong	21/10 13/20	20/20 10/20	20/20 10/20
Hyderabad	21/10 13/20	20/20 10/20	20/20 10/20
Jaipur	21/10 13/20	20/20 10/20	20/20 10/20
Jakarta	21/10 13/20	20/20 10/20	20/20 10/20
Kuala Lumpur	21/10 13/20	20/20 10/20	20/20 10/20
London	18/11 11/12	17/12 10/12	17/12 10/12
Los Angeles	18/11 11/12	17/12 10/12	17/12 10/12
Madras	21/10 13/20	20/20 10/20	20/20 10/20
Manila	21/10 13/20	20/20 10/20	20/20 10/20
Mumbai	21/10 13/20	20/20 10/20	20/20 10/20
New Delhi	21/10 13/20	20/20 10/20	20/20 10/20
Osaka	21/10 13/20	20/20 10/20	20/20 10/20
Paris	18/11 11/12	17/12 10/12	17/12 10/12
Perth	18/11 11/12	17/12 10/12	17/12 10/12
Rangoon	21/10 13/20	20/20 10/20	20/20 10/20
San Francisco	18/11 11/12	17/12 10/12	17/12 10/12
Seoul	21/10 13/20	20/20 10/20	20/20 10/20
Shanghai	21/10 13/20	20/20 10/20	20/20 10/20
Singapore	21/10 13/20	20/20 10/20	20/20 10/20
Taipei	21/10 13/20	20/20 10/20	20/20 10/20
Tokyo	21/10 13/20	20/20 10/20	20/20 10/20
Yokohama	21/10 13/20	20/20 10/20	20/20 10/20

North America

Late-season rain will continue to affect the Pacific Northwest as well as parts of California. In addition to the rain, Portland and Seattle will be quite chilly for late May. Heavy rain will continue in the Plains and Midwest. Very warm weather is forecast for New Orleans and Atlanta.

Europe

Very chilly air will invade Scandinavia and Thursday and Friday of the period of the Pacific Northwest as well as parts of California. In addition to the rain, Portland and Seattle will be quite chilly for late May. Heavy rain will continue in the Plains and Midwest. Very warm weather is forecast for New Orleans and Atlanta.

Asia

A good deal of rain will fall along the southeast coast of China during the period of Tuesday through Thursday. Some rather cold air for late May will also bring clouds and a chilly rain to Beijing and Manchuria, as well as to the Korean Peninsula. Hot and humid sunbath is forecast for the tropics with no major storms.

Legend: s=sunny, p=partly cloudy, c=cloudy, sh=showers, h=heavy rain, f=fog, dr=dry, b=blizzard, m=moderate, v=very, e=extreme.

Notes: Forecasts and data provided by AccuWeather, Inc. ©1998 - http://www.accuweather.com

Asia

	Today		Tomorrow	
	High	Low	High	Low
Algeria	26/25	17/10	26/25	15/5
Amsterdam	18/11	11/12	17/12	10/12
Bangkok	32/19	17/11	32/19	15/10
Batavia	32/19	17/11	32/19	15/10
Bombay	32/18	17/12	32/18	17/12
Buenos Aires	26/18	17/10	26/18	15/5
Buenos Aires	26/18	17/10	26/18	15/5
Calcutta	32/19	17/11	32/19	15/10
Cardiff	18/11	11/12	17/12	10/12
Chennai	32/19	17/11	32/19	15/10
Colombo	32/19	17/11	32/19	15/10
Copenhagen	18/11	11/12	17/12	10/12
Hong Kong	26/18	17/10	26/18	15/5
Hyderabad	32/19	17/11	32/19	15/10
Jaipur	32/19	17/11	32/19	15/10
Jakarta	32/19	17/11	32/19	15/10
Kuala Lumpur	32/19	17/11	32/19	15/10
London	18/11	11/12	17/12	10/12
Manila	32/19	17/11	32/19	15/10
New Delhi	32/19	17/11	32/19	15/10
Philippines	32/19	17/11	32/19	15/10
Rangoon	32/19	17/11	32/19	15/10
Saudi	32/19	17/11	32/19	15/10
Singapore	32/19	17/11	32/19	15/10
Taipei	32/19	17/11	32/19	15/10
Tokyo	32/19	17/11	32/19	15/10
Yokohama	32/19	17/11	32/19	15/10
Yokohama	32/19	17/11	32/19	15/10
North America				
Amherst	18/16	13/5	20/1	10/6
Baltimore	18/16	13/5	20/1	10/6
Boston	18/16	13/5	20/1	10/6
Chicago	20/1	14/1	20/1	10/6
Dallas	20/1	14/1	20/1	10/6
Detroit	20/1	14/1	20/1	10/6
Denver	20/1	14/1	20/1	10/6
Los Angeles	20/1	14/1	20/1	10/6
Memphis	20/1	14/1	20/1	10/6
Houston	20/1	14/1	20/1	10/6
New York	20/1	14/1	20/1	10/6
San Francisco	20/1	14/1	20/1	10/6
Seattle	20/1	14/1	20/1	10/6
Washington	20/1	14/1	20/1	10/6

THE AMERICAS

Clinton Defends Launching By Chinese

By Jeff Gerth and John M. Broder
New York Times Service

WASHINGTON — The White House has made public a trove of internal documents showing that President Bill Clinton approved the Chinese launching of a U.S. satellite in February after his top staff advised him that the economic and diplomatic advantages outweighed the opposition of federal prosecutors.

The prosecutors had warned that the approval would jeopardize their investigation into the satellite maker's earlier, unauthorized help to China's rocket program, the president was told in the memorandums.

The White House argued that the newly released documents showed that the president, while aware of the risks, approved the launching on the basis of policy debate and not because Bernard Schwartz, who is both the chairman of the satellite company, Loral Space & Communications Ltd., as well as the Democratic Party's largest personal contributor, was pressing hard for a decision.

"I think the decision was the correct one," Mr. Clinton said at the White House on Friday. The decision, he said, "was based on what I thought was in the national interest and supportive of our national security."

The president said the Justice Department's concerns were evaluated and balanced against the views of all the other participating departments, who "concluded that, on balance, we should go forward."

But Republicans questioned the president's decision and promised further inquiries. They said a preliminary review of the 394 documents the White House released raised troubling questions about Mr. Clinton's decision to override Justice Department objections to a presidential waiver to allow the launching.

"There's no question there were plenty of red flags at the time," said Representative Christopher Cox, Republican of California, who will head a House select committee examining the China issues.

A top State Department official had warned White House staff members that Loral engaged in "unlawful" and "criminal" activity by providing valuable help to the Chinese rocket program.

Loral Chief Denies Lobbying

Mr. Schwartz denied Sunday that he had tried to influence with political donations the Clinton administration's position on its satellites. The Associated Press reported from Washington.

He said on ABC television that he "never sought a favor nor got a favor" for his business in exchange for his major donations to the Democratic Party.



IN MEMORIAM — Visitors to the Vietnam Veterans Memorial on Memorial Day weekend reflected in the monument's black surface.

AMERICAN TOPICS

Some Little-Known History

The soldiers in the military re-enactment wore homespun tunics, tricorne hats and carried muskets as they recreated Revolutionary War battles and life. All of them were black, yet the flag over their camp was the Union Jack.

They were part of Brothers in Arms, a program started last June at Colonial Williamsburg, Virginia, depicting black military units from the nation's history. But unlike any other unit, this group, representing Lord Dunmore's Royal Ethiopian Regiment, had fought for England. It was the only way, reports American Legacy magazine, that the former slaves had to gain their freedom.

The Brothers in Arms program began when Christy Matthews, in charge of African-American programs at Colonial Williamsburg, staged a program on the dilemma facing Amer-

ican slaves after Lord Dunmore proclaimed in 1775 that any slave fighting for the British would be freed.

The proclamation was "a window of opportunity," said Harvey Bakari, a Williamsburg researcher. "It was the first time that we, as men, could make a choice in our lives — the first time we could make a decision for freedom."

Although slaves risked hanging if caught serving the British, more flocked to join the king's forces than the British could put to use.

In her research, Ms. Matthews discovered several units of black re-enactors — groups representing the famed Buffalo Soldiers, cavalrymen who served on the Western frontier, a Civil War infantry unit in Michigan, and others — and helped organize the first Brothers in Arms. Visitors were fascinated. "We never knew this part of our history," Ms. Matthews said some people told her. This year's program, scheduled for June 20-21, will be even larger.

Short Takes

Cattle rustlers used to ride horses and wield six-shooters. Today, they use chain saws to butcher the cattle, some-

times in the backs of refrigerated trucks. The U.S. cattle industry lost 19,700 animals worth about \$12.1 million to theft in 1995, according to the latest figures available.

A hundred years ago, cattle thieves would herd animals into remote canyons, leaving a visible trail. But today, said R. T. Burton, an investigator in Tombstone, Arizona, who has chased rustlers for 20 years, "the highways just don't leave a trail."

But Mr. Burton and his counterparts have certain advantages. They use motion detectors and night-vision goggles. Some cattle farmers insert computer chips under the animals' skin.

The town of Mesquite, Nevada, is debating whether to mount a version of Pamplona's running of the bulls. A Phoenix company wants to stage the event during a festival in July, charging 1,000 runners \$50 each to be chased by a dozen bulls. The emphasis is on safety: The bulls will be mild-mannered and blunt-horned. The runners, in theory, will be sober.

Brian Knowlton

POLITICAL NOTES

Senate Limits Checks Under Weapons Ban

WASHINGTON — The Senate has approved legislation that some arms-control experts warned would undercut enforcement of an international treaty banning chemical weapons.

The Chemical Weapons Convention of 1997 was approved by the Senate last year and calls for inspections of private U.S. chemical companies.

The legislation passed Friday, as part of a larger bill aimed at the Iranian missile programs, allows such inspections for the first time but also includes tough restrictions put forward by some treaty opponents, including Jesse Helms of North Carolina and Jon Kyl of Arizona, both Republicans.

The conditions among other things, would limit the number of yearly inspections and give the president the right to block surprise inspections on national security grounds, something not allowed under the treaty. (NYT)

Congress Approves Transport Works Bill

WASHINGTON — Congress has overwhelmingly approved the largest public works program in U.S. history,

more than \$200 billion over the next six years for roads, bridges, buses, subways, ferries and even parking garages in every congressional district.

The size of the bill, which increases federal transportation spending by 44 percent from the \$145 billion in the previous six-year plan, underscores the shifting political ground in Washington, where spending of this magnitude was almost unthinkable a year ago.

But with the federal budget now in balance, the national economy still vigorous and Congress facing elections in November, the appetite for new and bigger highway and mass transit projects was both voracious and bipartisan.

The House passed the bill by a vote of 297 to 86, and the Senate by a vote of 88 to 5. President Bill Clinton said he would sign the bill.

Quote/Unquote

William Ginsburg, lawyer for Monica Lewinsky, after the former White House intern's family hired a professional public relations consultant to handle the voluminous media inquiries that Mr. Ginsburg once fielded single-handedly: "The press overwhelmed me. I'm not going to tell you I was good at it or I was bad at it, but I will tell you it was overwhelming. It became apparent to me that I needed media help." (WP)

Away From Politics

• The battleship Missouri, on whose deck Japan signed the surrender ending World War II, began its final voyage across the Pacific over the weekend. The decommissioned ship is being towed to Hawaii to become a tourist attraction near the USS Arizona Memorial at Pearl Harbor. (Reuters)

• Seeking a showdown with the federal government, the founders of three medical marijuana clubs in the

San Francisco area have defied a federal judge's orders to shut down, hoping to place their fate in the hands of a jury. (NYT)

• A lost man survived on lily pad roots for eight days in the dense Minnesota woods near Canada before a couple driving by found him along a road late Saturday. John Johnson, 69, was taken to a hospital in Roseau, Minnesota. (AP)

Pentagon Bolsters Anti-Hacker Defense

By Bradley Graham
Washington Post Service

SAN ANTONIO, Texas — It was early morning on the first Monday in February when analysts at the air force's national computer monitoring center were startled seeing an unusual series of red warning flags pop up on their screens, indicating unauthorized intrusions into about half a dozen electronic networks around the country.

The analysts had become accustomed to spotting hundreds of suspicious entries a day into air force systems, but these were different. They followed a pattern. They appeared to be coming first from Harvard University, and later from other educational institutions in Utah and Texas, entering unclassified networks by exploiting a vulnerability in the Solaris operating system widely used at defense installations.

"We were seeing things we hadn't seen before," said Colonel James Masaro, who commands the Air Force Information Warfare Center. "Normally, there wouldn't be any correlations right away, but these connections seemed to be going to the same places and using the same techniques."

The hackers turned out to be two 16-year-old high school students in northern California, assisted by another teenager in Israel, according to U.S. officials. But for nearly a month they led defense and law enforcement author-

ities on their biggest cyberchase yet.

Unsure where the attacks were originating or how many hackers were involved, Deputy Defense Secretary John Hamre notified President Bill Clinton early in the search that the intrusions might be the first shots of a genuine cyberwar, perhaps by Iraq as it faced a renewed threat of U.S. air strikes.

As far as U.S. authorities have determined, the penetrations did not compromise national security, but the episode left the Pentagon badly shaken. And it added urgency to initiatives announced by Mr. Clinton for raising the nation's defensive barriers and, for the first time, establishing a national policy for computer security.

Despite numerous studies warning of the growing risk of computer attack, Pentagon authorities acknowledge they were caught with their guard down in February. They lacked sufficient monitoring devices to detect intrusions on computer networks at military installations. They also had no plan for coordinating a response, either among military branches or among federal agencies, to a broad assault.

Even after government investigators were able to determine that some kind of systematic electronic break-in was underway, legal restrictions on tracing through cyberspace slowed their pursuit of the hackers across multiple Internet service providers in the United States and abroad.

Many of these same problems had been underscored eight months earlier, during a first-of-its-kind exercise run by the Pentagon's Joint Staff.

Teams from the National Security Agency, equipped with off-the-shelf computers and widely available hacker programs for stealing passwords and probing network vulnerabilities, demonstrated they could disrupt computer operations at major military commands and interrupt electrical power and emergency phone service in several U.S. cities.

Pentagon officials say the June exercise, followed by the real scare in February, constituted a one-two punch that has pushed them into bolstering the Pentagon's defenses against cyberattack.

In an interview, Mr. Hamre said the military services had since been ordered to install many more intruder-detection devices on their unclassified networks and set up centers, modeled on the one here that scans 110 air force sites, to provide round-the-clock, system-wide oversight.

Mr. Hamre said the Pentagon was establishing a permanent joint task force on computer security and taking steps to improve the training of those who operate military computer systems. The Pentagon's classified networks already employ sophisticated safeguards and are not considered at risk, Mr. Hamre added.

BOOKS

QUARANTINE
By Jim Crace. 243 pages. \$23.
Farrar Straus Giroux.
Reviewed by Bruce Bawer

THOUGH the biblical account of Jesus's 40 days in the desert and his temptation there by the devil takes up only a few lines in the Gospels, the story — which follows his baptism and precedes his public ministry — has always been seen as pivotal. Now, in the novel "Quarantine," the English writer Jim Crace asks the question: If Jesus did in fact go into the desert after his baptism, what might really have happened there?

In this dry, precise, often byzantine narrative — which won last year's Whitbread Prize and was short-listed for the Booker — Jesus is only one of several sojourners whose paths cross in the wilderness. Musa, a bully, and his pregnant, put-upon wife, Mira, are members of a caravan left behind to fend for themselves when Musa grows despondently ill. Others have traveled to the desert to fast and seek divine favor. The tall, barren Marta hopes to be made fertile; Shim, an old and sick, prays for health; Shim, an unusually handsome young gentle widely respected for his wisdom and godliness, is continuing a lifelong spiritual quest. Rounding out the dramatic personae is a nameless, uncommunicative little desert nomad — a badu — whom the others consider a savage.

Jesus is introduced with an irony. He happens along just as Musa is about to die and cures him, and everyone suffers as a result. Not only does Musa end up back under Musa's thumb, but Musa torments the other pilgrims as well, telling them he owns the land they're on and demanding rent. That Jesus's miracle ends up benefiting a tyrant and harming innocents is typical of this novel, which, while making the Nazarene an authentic worker of miracles, refuses to imagine the circumstances of these miracles in any other than the most harshly realistic terms.

Indeed, to read "Quarantine" is to be struck by its bracingly unsentimental picture of the human animal — for though Satan as such never appears, evil is palpably present in this company. The mastery with which Crace sustains an extreme austerity of tone, tauness of style, and strangeness and intensity of vision — all the while vividly capturing the desert setting and credibly imagining the thought processes of ancient tribal folk — is, moreover, immensely impressive. This novel is a high-wire act, a tour de force, a garment expertly tailored from materials of the highest quality.

Yet in many ways this sober, meticulous novel is daring. Not only does Crace have the audacity to make Jesus a virtual secondary character, he serves up a Jesus whose personal imperfections — he's shy, fearful, petulant, self-absorbed, physically weak, uncertain in his beliefs, and even "a clumsy carpenter" — might induce many a conservative Christian to denounce this book as sacrilegious.

One peculiarity of this novel is that much of it consists of long unbroken stretches of iambs; many sentences, in fact, read like perfect iambic pentameter lines, most noticeably in the chapter introducing Jesus. We're told he's devout: "He'd put his trust in god, as young men do." He's had experience walking barefoot: "He'd learnt the single lesson of the thorn." And why has he come to the desert? "This was where the world was not complete. What better place to find his god at work?" Iambs also proliferate in the later passages on Jesus: "He did not need to move his lips to pray. He'd reached the stage where every breath was prayer." Many of these five-foot sentences are arresting, even epigrammatic. But the odd alternation between strict iambic meter and looser, prosier rhythms ultimately proves distracting. Did Crace, one finds oneself wondering, initially write this book (or part of it) as a blank-verse narrative? Whatever the case, and whatever one's misgivings about the book's rhythms or its interpretation of Jesus, the fact remains that Crace has carried off a daunting task with an artistry and imaginative power that many others — one thinks particularly of Norman Mailer, author of last year's hollow "Gospel According to the Son" — might well envy.

Bruce Bawer, author of "Stealing Jesus: How Fundamentalism Betrays Christianity," wrote this for The Washington Post.

BRIDGE

By Alan Truscott

ON the diagramed deal from the Cavendish Invitational Pairs in Las Vegas, Nevada, a brilliant lead received a brilliant counter. It can be seen that six diamonds from the North side was impregnable, and that was often reached when North opened one diamond.

But the modern fashion is to open one no-trump with the North hand, and that had an ironic result. At many tables, South made a transfer response of two diamonds, showing hearts, making

his partner declarer in the wrong suit but making himself declarer in the right suit.

It was not easy to reach the diamond slam, and many pairs rested cautiously in four hearts or five diamonds. In the diagramed auction the North-South cards were held by Irina Levitina of Teaneck, New Jersey, and Jill Levin of Riverdale, the Bronx, who both own world titles.

South's rebid of three diamonds was a retransfer, forcing her partner to bid hearts, and they were then able to locate the diamond fit and reach the slam.

Six diamonds is easy after

almost any lead. After a normal spade king, for example, South wins, draws trumps and plays hearts, making a fortuitous and unimportant over-trick.

But the West player was John Mohan of Santa Monica, California, and he decided that the best chance for the defense was to take two club tricks. He therefore led the club eight, putting Levin to the test. She knew that Mohan was quite capable of under-leading an ace, and that he was likely to have the club ace to justify his overcall. So after some thought, she put up the king and made all the tricks.

NORTH (D)			
♠ A 10 2			
♥ A 4			
♦ A 9 7 5 2			
♣ K J			
WEST			
♠ K Q 7 6 5 4			
♥ Q 10			
♦ 4 3			
♣ A 8			
EAST			
♠ J 3			
♥ 8 6 5 3			
♦ —			
♣ K 10 9 8 5 4 3			
SOUTH			
♠ 8			
♥ K J 9 1 2			
♦ K Q J 10 6			
♣ 7 5			
East and West were vulnerable.			
The bidding:			
North	East	South	West
1 N.T.	Pass	2 ♣	2 ♣
Pass	Pass	3 ♣	3 ♣
3 ♣	Pass	4 ♣	Pass
4 ♣	Pass	5 ♣	Pass
6 ♣	Pass	Pass	Pass
West led the club eight.			

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Omega -- my choice Cindy Crawford

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OMEGA
The sign of excellence

ASIA/PACIFIC

In Hong Kong, Turnout Of Voters Hits a Record

By John Pomfret
Washington Post Service

HONG KONG — Braving driving thunderstorms and defying widespread assumptions that they were indifferent, Hong Kong's voters turned out in record numbers Sunday to cast ballots in the first election since the territory returned to Chinese control 11 months ago. Initial predictions indicated that the high turnout would favor parties backing more democracy in Hong Kong and less Chinese influence.

The turnout of 53.29 percent marked the highest-ever voter participation figures in Hong Kong.

Analysts attributed the jump to the Southeast Asian economic crisis and a perception among some here that Hong Kong's chief executive, C.H. Tung, has stumbled in office.

Anger over a move by China to disband Hong Kong's legislature after the July 1, 1997, handover and appoint a provisional legislature dominated by pro-China businessmen also fueled the fires of political participation, creating what one expert of Hong Kong's transition to Chinese rule called "revenge voters, looking to pay the Communists back."

"This is a protest vote," intoned Lau Bun-yok after he voted in a bustling section of Victoria Island for the Democratic Party, the territory's most popular pro-democratic force.

The 65-year-old refugee from com-

munist added: "We need someone who can speak out for us against China."

Other voters took a broader view. "This is a historic moment for us," said another man, who voted in the swarming Mongkok section in a downpour.

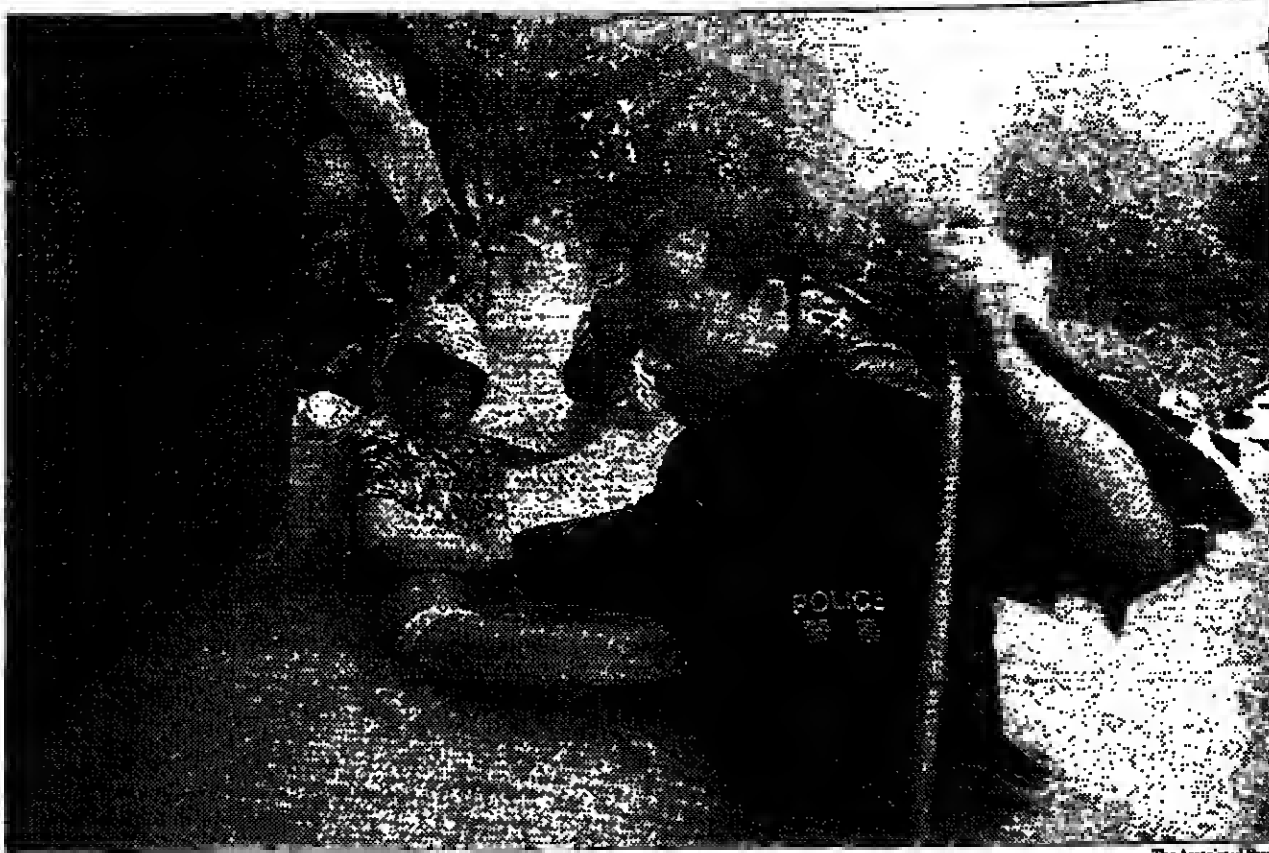
"You must remember this is the first multiparty election ever on mainland Chinese soil."

As in the 1995 election under British rule, only one-third of the 60 seats in the Legislative Council were directly elected by the 2.8 million registered voters. But under the new system, the regulations were changed to favor pro-Beijing parties by doing away with the previous winner-take-all system. Another 30 seats were elected in Functional Constituencies, representing such professionals as doctors, lawyers and teachers.

But this year a mere 139,000 professionals were allowed to vote for those candidates. In 1995, more than 1.15 million Hong Kong voters were eligible to participate. The final 10 seats were chosen by 800 people, who were generally pro-Beijing.

Under the British, those people had been appointed by the colonial government. In a campaign short on policy and long on symbols, the issue of identity played an enormous role.

On one side, pro-China candidates emphasized their closeness to China and



A policeman rescuing a woman Sunday in a village in Hong Kong, where heavy rains disrupted voting.

the necessity of bending to the will of Hong Kong's new master, Beijing.

On the other were those, like the owlish lawyer, Martin Lee, who stressed that Hong Kong has a separate identity from the mainland, forged out of 156 years of British colonial rule.

Early exit polls indicated that Hong Kong's voters resolutely rejected the pro-China line and embraced the pro-democracy and Hong Kong-oriented

platform advocated by Mr. Lee and his followers.

One poll conducted by The Social Sciences Research Center of the University of Hong Kong gave Mr. Lee's party and its allies at least 12 seats on the council.

Mr. Lee, who was tossed out of office last year by the Chinese, said he felt exonerated as initial results indicated he would be returned to the council by a

landslide. "I always said, I will return," he said with a smile.

The same poll predicted that the leaders of the two main pro-Beijing parties were falling behind in their races and that one party, the Liberal Party, might not win any seats among the directly elected group.

If the pair, Allen Lee and Tsang Yok-sing, do lose, it would mark a stunning rebuke to Hong Kong's pro-China club.

BRIEFLY

Burma Warns Democracy Party

BANGKOK — The military rulers of Burma have warned the pro-democracy party of Daw Aung San Suu Kyi not to celebrate the anniversary of its landslide victory in the 1990 general elections, Burmese government sources said Sunday.

The sources said the government had learned that the National League for Democracy planned a ceremony May 27-29 to mark their electoral victory.

The sources said the league had been asked "to refrain from creating conditions that will unnecessarily cause a setback in the ongoing nation-rebuilding process." The league captured 396 out of 485 seats in Parliament eight years ago, but the military junta arrested many of the victorious candidates and refused to allow the new Parliament to convene. (AP)

Sri Lanka Clashes

COLOMBO — Fierce battles between government troops and Tamil rebels in eastern and northern Sri Lanka have killed at least 43 people, state-radio and military officials said.

In one of the clashes, rebels fired mortars and automatic weapons early Sunday in an attack on an army camp at Chenkaladi in the eastern Batticaloa district, officials said.

They said two soldiers, two members of the pro-government People's Liberation Organization of Tamil Eelam and a civilian were killed. State-owned radio said 30 rebels were killed when troops fired artillery and mortars and successfully repulsed the attack.

In a separate clash, five rebels were killed Saturday by troops northwest of Mankulam, the last major town on a vital north-south highway that the military has been trying to capture since May 1997. (Reuters)

Heat Wave in India

NEW DELHI — A heat wave in India has claimed at least 23 more lives, the Press Trust of India reported Sunday.

It said the deaths were reported overnight in the northern state of Uttar Pradesh, where the district of Gonda recorded India's highest temperature of 49 degrees centigrade (120 degrees Fahrenheit) Sunday.

On Saturday, the agency estimated the toll at 70, but the government reported 40 casualties, the largest number being in the western state of Maharashtra. (AP)

U.S. Companies Prepare for End of Ban on Weapon Sales to China

By John Pomfret
Washington Post Service

BEIJING — It was not just papers that Motorola Inc. was promoting at an electronics exhibition here.

A Chinese-language pamphlet at Motorola's booth at the China International Defense Electronics Exhibition last week advertised "military-use, police-use, computerized command, control and communications networks."

Another promoted "battlefield-deployable communications, leading the charge in information warfare."

Almost nine years after the United States slapped an embargo on the sale of military technology to China after the crackdown on student-led protests near Tiananmen Square, U.S. defense contractors are preparing for the easing of these restrictions.

Even as a controversy exploded in Washington last week over allegations that the Clinton administration allowed American companies to pass sensitive missile technology to China, five prominent U.S. companies were participating

in China's first defense-electronics trade show in a Beijing exhibition hall.

Except for Motorola, none of the U.S. firms — Lockheed Martin Corp.'s Air Traffic Management, Motorola's Space and System Technology Group, Hewlett-Packard Co., Raytheon Co. and Teradyne Inc. — were explicitly touting military applications. But some defense experts said their products, including radars and satellite-launch technology, had military uses — and hence their inclusion in a defense exhibition.

"The American firms bend over backward to say they are only showing civilian-use equipment," Bates Gill, a defense expert at the Monterey Institute for International Affairs, said after visiting the exhibition, "but if you look more closely, the material all had military applications."

Executives from the five companies said they were not selling defense technology to China, although some of them, like Lockheed and Raytheon, have deals with the Chinese military for air-traffic control systems. But, citing fears that European countries would

soon relax their own, looser embargo on China, several officials from these firms said they were eager to resume military-technology sales to Beijing.

On Wednesday, amid allegations that high-technology exports to China had endangered national security and that the daughter of a Chinese military officer had donated money to the 1996 Democratic campaign, the House voted in effect to bar U.S. companies from future Chinese satellite launches and to condemn the administration's past practices.

Another measure expected to pass would simply ban any further sales of commercial satellites to China, repealing a Bush administration-era law permitting the government to allow such exports in certain cases. On Friday, the White House criticized those moves, and a veto of the legislation is expected.

The United States started selling weapons to China in the 1980s as part of its strategy to weaken the Soviet Union by strengthening China.

The crackdown on democracy demonstrators near Tiananmen Square in June 1989 prompted the United States to

slap a string of sanctions on China. Among them was a ban on weapons sales, specifically a prohibition against Chinese launches of U.S. satellites.

Presidents George Bush and Bill Clinton relaxed the satellite ban on a case-by-case basis because of an enormous backlog in satellite launches around the world. Between January 1990 and last month, the White House issued 11 waivers, approving \$237 million in satellite and \$63.1 million in encryption exports to China, according to a report by the General Accounting Office.

The European Union also instituted a weapons embargo, although, its ban was a gentlemen's agreement among member states and not legally binding.

At the Beijing defense fair British, Italian and French companies were prominent.

"We are participating here because we believe there will be a big opening not far from now," said Lanfranco Cerina Ferri, assistant to the managing director of Meteor, an Italian defense contractor. "We think the U.S. will ease its sanctions sometime soon as well."

Western defense executives pointed to competition from Russia and Israel as one reason why they believe Western governments will begin to ease the embargo. From 1990 to 1996, Russia and Israel accounted for about 80 percent of the \$5.3 billion in military sales to China, the U.S. Arms Control and Disarmament Agency says.

Mr. Gill said the equipment Motorola was advertising could help China's military improve its ability to integrate its armed forces. A Motorola spokesman, Robert Edwards, denied that the company was "marketing its products to the Chinese military." The company, Mr. Edwards added, "will never place our country's national security at risk to maintain our competitive edge in any marketplace around the world."

A Chinese security analyst, Chu Shulong, director of the North American Division of the China Institute of Contemporary International Relations, said the sanctions would be an issue for the Chinese during the coming summit meeting between Presidents Clinton and Jiang Zemin.

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ASIA/PACIFIC

The Jubilation in Jakarta Doesn't Reach Indonesia's Most Remote Villages

By Jackson Diehl
Washington Post Service

NEGLASARI, Indonesia — When the news of President Suharto's sudden resignation arrived in this rural village last week, spread by the handful of televisions in people's homes, there were no celebrations. It's not that Neglasari's 5,000 poor farmers and roadside traders regretted the end of 32 years of Mr. Suharto's authoritarian rule. It is just that a change of government in Jakarta, only two hours to the north by road, but enormously remote from these villages, did nothing to address the desperate sense of crisis that has been growing through their

stream-fed, jungle-choked community like a cancer.

"Maybe some of the bigger people on top had a party, but not us here," said Radi, a 21-year-old unemployed man who lounged with friends Sunday morning near a bamboo chicken house recently emptied of its hens. "We haven't seen anything here to celebrate."

Since Indonesia's once-booming economy collapsed late last year, farmers and laborers in villages and urban shantytowns across this country of 200 million have seen the fragile cushion that separates them from abject poverty and hunger rapidly crumble.

In Neglasari, where Indonesia's

growth in the past decade has brought electricity but no running water, a paved main road but no sewer pipe, some families are pulling their children out of school and putting them to work, while others have returned to foraging wood for cooking fires because of the rising cost of gas. Many are eating less.

For people here, as for the millions of other Indonesians, the only political change that matters is one that will restore the minimal standard of living they realized in the country's boom years.

"We're just looking for money to live on, to buy sugar, cooking oil, flour, gas," said Isis Sumiarsi, a 27-year-old housewife whose husband has been un-

employed for nine months. "I just want to know what the plan is — and can we or can we not get back to normal."

The yearning for security, as powerful among working-class families and merchants in Jakarta as among rural people here, is a blessing and a threat to the newly formed government of B.J. Habibie, the long-time protégé of Mr. Suharto who succeeded him Wednesday. Despite his extensive connections to the old regime and failure so far to commit himself to a democratic transition, Mr. Habibie appears to have gained at least a temporary mandate to stabilize the country and implement the economic reforms resisted by Mr. Suharto.

At the same time, Mr. Habibie's survival clearly depends on whether he can quickly begin to satisfy demands for economic reform and recovery, ranging from an end to the corruption and collusion in the government's relations with business to the restoration of credits to small businesses and affordable food to the poor.

The government's chief economic minister, Ginandjar Kartasasmita, predicted after the swearing in of the new cabinet Saturday that Mr. Habibie could not carry out those formidable tasks without organizing democratic elections, a step that would undermine the new president's apparent attempt to con-

solidate the remains of Mr. Suharto's power structure.

"We need to have a new government with a new mandate from the people," Mr. Ginandjar said, adding that he and other economic ministers had no intention of remaining in office until the official end of the presidential term Mr. Habibie inherited from Mr. Suharto, in 2003. "Economic recovery cannot be achieved without a conducive political climate."

The call for elections has also come from student leaders, opposition politicians and the newly assertive press. But the pressure on the new president and the military leaders who back him appeared to ebb over the weekend as soldiers successfully ended a student occupation of Parliament and life in Jakarta and other cities began to return to normal.

After 10 days of riots and revolution that left swaths of the capital destroyed and most commerce paralyzed, many businesses reopened Saturday and Sunday and thousands of refugees returned to their homes. Many who reopened small stores or ventured out to shop in them said they would support any government that could restore order, at least for a while.

"First of all, the new cabinet needs to make sure there is safety and security throughout Indonesia," said Hedi Mulyono, a clothing retailer in the Tanah Abang market area of central Jakarta who watched in terror last week as looters ransacked and burned a large retail mall across the street. "Then we can go back to rebuilding the economy."

In contrast to the jubilation of students who danced in the fountains outside Parliament after forcing Mr. Suharto's resignation, many of the poor workers and small merchants of Jakarta ended the week feeling worse off than ever. Most of the shops that were looted and burned served their neighborhoods — the luxury malls of central Jakarta were left untouched — and 10 days of turmoil has meant, for most, 10 days without pay at a time when prices for subsistence goods are soaring.

"People are missing work or are getting fired, and that's creating problems that we can't resolve very easily," said Sukirno, the representative of the ruling Golkar party in the north Jakarta neighborhood of Kencur, where 12,000 people are housed in 900 homes built of concrete and corrugated iron.

Rioters swept around the neighborhood last week, leaving its shanties intact but devastating a nearby commercial area.

"At the very bottom of the situation, everyone here has enough food for today, because we are helping each other out," said Mr. Sukirno, who like many Indonesians uses only one name. "The problem is tomorrow. If the crisis continues in this way, eventually it will become very difficult. How can we support all these people?"



One of the 500 Indonesian troops deployed on the Parliament grounds laying his laundry out to dry Sunday.

The Undoing of Suharto: A 'Soft Coup' by Protégés

By Seth Mydans
New York Times Service

JAKARTA — It was a quick, stunning series of maneuvers that shook President Suharto out of office last week. One after another, the men he had groomed and manipulated to shore up his power told him the harsh truth that he had seemed unable to grasp: It was time for him to go.

Every unhappy government is unhappy in its own way, and the convergence of events that toppled Asia's longest-serving leader grew out of the very dynamics that Mr. Suharto had generated to bend Indonesia to his will. The turning point was a riot, one week before the end. The explosion of looting, burning and death that laid waste to portions of the capital was more than anarchy; it was a statement of the country's rage over the political impotence to which Mr. Suharto had reduced Indonesia's 210 million people and the near-collapse of the economy.

For two months, student demonstrators had refused to be silenced after a carefully scripted inauguration in which Mr. Suharto was endorsed by his retainers for a seventh six-year term in office.

As it had been at earlier turning points, it was the students who rose up against the government in a country where leaders are revered and rarely challenged.

Then, on May 12, six students were shot and killed on the campus of Trisakti University in Jakarta, and in the three days of rioting that followed, thousands of buildings were smashed and burned and at least 500 people died.

Last Monday, in a tactical retreat, the government allowed students to enter the

Parliament building to talk with government representatives. But the retreat came too late. Under pressure from the students, the speaker of the House, Harmoko, a longtime Suharto loyalist, turned against him and called for his resignation.

It was an extraordinary moment. The obedient legislature that Mr. Suharto had created expressly to give legitimacy to his one-man rule — a Parliament that had never questioned his orders — turned the machinery of government against him.

Legalistic as always, Mr. Harmoko and the other parliamentary leaders announced that they no longer supported the president, just two months after electing him without debate and without a dissenting vote. They threatened to convene a special electoral assembly to impeach him if he did not step down.

"They have trapped him," a Western diplomat said. "Everything Suharto has ever done, he has done by the letter of the Constitution. He mentions the Constitution in almost every speech. Now his only option to save himself is to go outside the Constitution."

But the diplomat spoke too soon. General Wiranto, who is the defense minister, chief of the armed forces and a former personal aide to Mr. Suharto, stepped in within hours to reject the parliamentary move. Mr. Harmoko, he said, was acting illegally because the legislature had not met.

Meanwhile the students had occupied the Parliament building and its grounds, a throng of several thousand youngsters who chanted and sang while Mr. Harmoko and his aides, still working in their nearby offices, struggled for the future of the country. On Tuesday, Mr. Suharto

called in a delegation of intellectuals to seek their support.

"I categorically rejected to join," said the delegation's leader, Nurcholis Madjid. "I was contacted again and again by several persons, but for many reasons I categorically said no."

When the message was conveyed to the president, Mr. Madjid said, he was told that Mr. Suharto answered: "Then I am no longer trusted. If a moderate person like Madjid does not trust me any more, then it is time for me to resign."

After that, Mr. Madjid said, "everything was happening in terms of seconds, not even in terms of minutes."

The president's hand-picked parliamentary leaders had turned against him. Moderate intellectuals had dared to reject his plea for support. Now, according to several people present, his vice

president, B.J. Habibie, whom he had virtually adopted at the age of 13, said he had had enough.

At the meeting with Mr. Madjid's delegation, Mr. Suharto had asked: Did they really want his unpopular and inexperienced vice president running the nation?

"He said, 'I don't have any trouble with resigning,'" Mr. Madjid said. "But the trouble is, if I resign, is there any guarantee all this trouble will end?" And he said, "You know that if I resign now, Habibie will be the president and in my calculation the trouble will be even worse."

When Mr. Habibie heard this, he was deeply hurt, according to an aide and a family friend.

"I think what was decisive was that Habibie himself talked to the president very bluntly, voicing his disappoint-

ment," the aide said. "After all, he had been a loyal aide and for the president to dismiss him publicly was very hurtful. Habibie came to him angrily Tuesday evening, and Suharto apologized."

But the damage had been done. On Mr. Suharto's final evening in office Wednesday, it was Mr. Habibie who brought to the president a letter of resignation signed by nearly half his cabinet.

It was done politely, the friend said, "but it was almost like a soft coup."

It was in this context that Mr. Suharto received at his residence the man who held his presidency in his hands, General Wiranto. The general had explored the options for the president and determined that he had no choice now but to resign.

It was midnight, and his presidency was over.

INDONESIA: Can 17,000 Islands Remain Unified as a Nation?

Continued from Page 1

So when the students ousted Mr. Suharto last week, they also created profound uncertainties about what kind of a country Indonesia will be.

Above all, a more democratic Indonesia will have to confront wrenching questions about religious coexistence and about whether there is anything but force that can serve as the national adhesive.

"Indonesia is not a kingdom but an empire," said an American businessman with broad experience in this country. "Suharto was like Tito, in that he has been a very strong leader who has been able to hold a diverse country together the way Tito did in Yugoslavia. But now, can Indonesia stay together?"

Many specialists say that Indonesia is so unpredictable in the post-Suharto era that no one knows quite how to analyze it, but the most common view appears to be that an Indonesian identity is well enough established that the country will muddle along for some time the way it

"I think that the possibility of Indonesia disintegrating is not so strong," said Muthiah Alagappa, a specialist on Southeast Asia at the East-West Center in Honolulu. But Mr. Alagappa emphasized the difficulties that a more open Indonesia will face in maintaining harmony among its people.

"The possibility of religious conflict is there," he said. "How the Muslim majority will treat the Christian minority and the Hindu minority and the Chinese — that is very important."

Under Mr. Suharto, no one was allowed to preach hatred, and yet the bitterness toward the ethnic Chinese — who make up less than 3 percent of the population but control more than half the economy — runs deep. The antagonism might become still more dangerous if a more democratic Indonesia permits the news media to inflame hatreds by openly reporting the things that now are only whispered: that the ethnic Chinese are to blame for the financial crisis, that they

are ruining Indonesia, that they are taking over the country.

If Indonesia adopts a system of direct presidential elections, then — judging from comments by ordinary Indonesian workers and peasants — a candidate might some day win votes by running on a platform of expelling the Chinese and creating an Islamic state.

"We should expel all the Chinese," said Suprpto, 36, a worker doing odd jobs here in Surabaya, Indonesia's second-largest city. "If a politician said that, everybody would vote for him."

That is an exaggeration, and in many ways Indonesia is an extraordinarily mellow and harmonious mix of cultures and religions.

But this harmony was fostered by Mr. Suharto's dictatorship, and some diplomats and other analysts fear that democracy may be more combustible.

"Frankly, I worry about the rise of Muslim fundamentalism in this chaos," a senior Western diplomat said.

Developments here will be watched with tremendous interest throughout Asia. Countries such as Malaysia are also grappling with the appropriate role of Islam and Chinese minorities, while empires like China are facing the problem of how to deal with groups like the Tibetans or the Uighurs, who might prefer to strike out on their own.

The uncertainties arise in part because Indonesia as a country does not make much sense. Like some African countries, Indonesia is a geographic absurdity, arising in its present form simply because colonial powers were in such a rush to grab territory that they did not pay attention to the peoples who lived there.

The island of Java is the densely populated hub of Indonesia, home to 60 percent of the nation's 200 million people, and it has been civilized longer than Britain. But neighboring Bali is Hindu, and the islands to the east are mostly Christian. At the eastern tip is Irian Jaya, an undeveloped region where some women in the hills wear only grass skirts and some men wear only penis sheaths.

Centuries of Dutch colonization — and, more important, the independence struggle against the Dutch — did create a sense of unity and common destiny in much of the country. Indonesians from many islands fought the Dutch and became the first Asian people to win independence by armed struggle.

Mr. Suharto and his predecessor, Sukarno, also worked hard to forge a sense of unity and to some extent succeeded, so that today much of Indonesia does have a shared sense of nationhood. One dialect was proclaimed the national language, Bahasa Indonesia, and is now widely spoken throughout the country, helping to integrate a country where people speak hundreds of languages — up to 700 in Irian Jaya alone.

But even now, people in remote areas often cannot speak Indonesian, and the linguistic barriers are immense.

Secessionist sentiments have been a problem in places like Irian Jaya, East Timor, Sulawesi, and the conservative Muslim stronghold of Aceh at the western tip of the country, and no one knows if the problems will flare up again.

"One concern that people may have is that the new government will be weak," said Bruce Gale, an Indonesia specialist at the Political and Economic Risk Consultancy in Singapore. "And if Jakarta is weak then secessionist movements may gain strength."

The issue of how to deal with the regions is rarely discussed because it is still largely taboo to admit that not all people in the country are happy being Indonesian.

A rare hint of the risks came from Mr. Suharto himself, when he warned shortly before his resignation that unless Indonesia sticks with its present constitution and ideology of moderation, "then there will be a great danger to our national cohesion." He said that a result could be "great conflict that would threaten our development and even give rise to civil war."

Democracies often have difficulty mustering the will to suppress secessionists. Issues of secession are among the most painful that democracies ever face, as they were in America in the 19th century and as they are in Russia today. In Indonesia, university students in the pro-democracy movement so far have not quite confronted the issue of whether democratic rights should be extended to secessionists.

Yet when pressed hard enough, many students concluded that Timorese or Acehnese or others should continue to be imprisoned if they advocate independence.

Still, among Indonesia's educated elite, some people do emphasize that force will no longer be an adequate glue to hold the country together. "Now we're at a crossroads," said Dewi Fortuna Anwar, a prominent political analyst and an aide to the new president, B.J. Habibie. "It used to be argued that we need a strong central government because we have such a heterogeneous country. But actually what we need to develop is a sense of belonging — not keeping people in the system by force but by making it in their interest, by making them stakeholders."

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THE WORLD'S DAILY NEWSPAPER

Pakistani Airliner Is Hijacked

Reuters

HYDERABAD, Pakistan — Three gunmen hijacked a Pakistani airliner with 38 people aboard it Sunday and ordered it flown to India, but Pakistani Air Force jets forced it to land in Pakistan, officials said.

Security forces and police surrounded the Pakistan International Airlines jet at Hyderabad in southern Pakistan. The plane's engines were still running, and vehicles were parked in front of it to prevent it from taking off again, witnesses said.

The official news agency Associated Press of Pakistan said the hijackers of the twin-propeller Fokker plane were thought to be Indian nationals, but it gave no other details. There was no immediate claim of responsibility. Officials said they had established contact with the hijackers, who,

they said, were armed with revolvers.

The hijacking came at a time of high tension between India and Pakistan over New Delhi's five nuclear tests carried out this month and its warning that it would take a tough stand over the Himalayan region of Kashmir, which is claimed by both countries.

The 44-seat plane was hijacked after taking off from Gwadar, on the Arabian Sea in the southwestern province of Baluchistan, en route to Karachi, airline executives said.

R.S. Khola, India's director-general of civil aviation, said the hijackers had wanted to enter Indian air space but had been denied permission by authorities.

Shahid Khaqan Abbasi, chairman of Pakistan International Airlines, said he had no information about the hijackers' motive.

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EUROPE

Hungary Struggles in Transition

Downside of Nation's Economic Reform Stirred Up Voter Anger

By Christine Spolar
Washington Post Service

BUDAPEST — Burned pebbles of glass along Rakot Street, a side street in a working-class neighborhood here, are glinting reminders of fear and discontent in Hungary this election season.

A car bomb last week, in a country bedeviled by criminal blasts this spring, raised the heat on the governing Socialist-led government now in a close contest to keep control of the next Parliament.

"We didn't grow up in this kind of world," said Janos, 50, a market owner, whose home trembled from the explosion that engulfed three cars in the southern part of the capital.

"This election might not change things dramatically, but we have to make our points," Janos said. "The

politicians better pay attention to what's happening to everyday life."

Voters returned to the polls Sunday for the third free election since the fall of communism. Hungary may be over the toughest days of market reform, but voters appeared poised to register healthy complaints about the downside of economic transition.

Concerns about crime, corruption and the struggle to make ends meet top voters' interests, polls show. Several high-profile crimes since January — the murder of a prominent publisher gunned down in broad daylight and a round of bombings at nightclubs, cafes and the homes of two opposition politicians — have increased jitters and resentments perceptibly.

No one expects wide swings in policy after this exercise in democracy. But Hungarian politicians are likely to feel

the sting of an electorate, less than a decade beyond communism, unsure of the future but confident about shaking up political priorities in the 386-seat Parliament.

"It's disillusionment," said Agnes Kereti, a former accountant who opened a flower shop in south Budapest four years ago. "Fewer and fewer people are buying flowers, and I see more and more people rummaging through that trash bin over there."

"You hear the reports about scandals — and we're still struggling to get by."

Hungarians know that Western analysts have praised the government's work, including a tough budget reform program, begun in 1995, that reined in galloping inflation and slimmed down social programs.

Hungary, in fact, has fared well among Eastern Europe's new democracies, attracting more than \$16 billion in foreign direct investment and last year registering 4 percent growth in its gross domestic product.

Still, first-round balloting earlier this month showed voters in this country of 10 million people were critical of, and in some cases radicalized by, decisions of the governing coalition.

The Socialist Party, led by Prime Minister Gyula Horn, received the most votes with 32 percent. But support for its coalition partner, the liberal Free Democrats, fell sharply, attracting 8 percent of the vote compared with about 20 percent in 1994.

The big winner was Fidesz, or the Hungarian Civic Party, a mainstream center-right opposition group that jumped in popularity, receiving 28 percent of the ballots. A populist agrarian party, the Smallholders, also rose in popularity since 1994, winning 14 percent of the vote.

The most surprising shift was caused by voters who apparently were swayed by the views of an extreme right party. The Hungarian Justice and Life Party, often dismissed by the political elite for anti-Semitic and anti-foreigner remarks, garnered 5 percent of the vote.

That was enough to enter Parliament — and to rattle the political establishment, which quickly moved to reassure investors. Viktor Orban, leader of the Hungarian Civic Party, even visited the Budapest Stock Exchange, which had fallen sharply after the first round, to discuss Hungary's market orientation.

"There will be an economic policy change," said Mr. Orban, 35, a career politician who has emerged as a contender for prime minister. But, he added, the financial sector "will not be the loser in that."



UNDER A NUCLEAR CLOUD — Angela Merkel, the German environment minister, leaving her Berlin office Sunday as she came under pressure to resign following reports that radiation had leaked from containers of nuclear waste shipped to France and Britain.

Spanish Police Arrest Italian Mob Boss

The Associated Press

ROME — Pasquale Cuntrera, a fugitive Italian mob boss, was captured Sunday in southern Spain. Interior Minister Giorgio Napolitano of Italy said.

The flight from the country of Mr. Cuntrera, who is 63 and confined to a wheelchair, had been a major embarrassment to the Italian government.

Mr. Napolitano called his capture a "point of honor" for Italian law enforcement, which had gone through "moments of great bitterness" recently. Mr. Cuntrera fled Italy just days before an appeals court on Friday upheld his conviction and a 21-year sentence for running an international drug ring.

His flight came soon after the escape of another high-profile criminal, Licio

Gelli, 79, a financier convicted over the fraudulent bankruptcy in 1982 of what was then Italy's biggest private bank. Mr. Gelli, who once headed the shadowy P2 Masonic Lodge, an organization banned for plotting against the state, also fled while he was free pending appeal.

Spanish police, working in collaboration with Italian authorities, picked up Mr. Cuntrera and his wife Sunday evening near Malaga on Spain's southern coast. When Mr. Cuntrera was extradited to Italy from Venezuela in 1992, authorities said he ran a huge drug smuggling and money-laundering operation.

He was jailed, but then freed recently on a technicality to await the outcome of his final appeal.

BRIEFLY

Trial to Open in Spain Of 'Dirty War' Figures

MADRID — The Supreme Court on Monday will open Spain's most important trial yet aimed at unveiling some of the secrets of the 1980s "dirty war" against ETA Basque separatist guerrillas.

Twelve people, including a former minister and the head of security in a previous Socialist government, will be tried for the mistaken-identity kidnapping of a Basque businessman in 1983.

The group, alleged to have included members of the Spanish security forces and hired killers, killed 28 people in their campaign against the separatists. Some of the victims had no connection with the guerrillas.

Jose Barrienne, interior minister in the Socialist government at the time of Felipe Gonzalez, is the most senior official on trial for the kidnapping.

The prosecutor has asked for a 23-year prison sentence for Mr. Barrienne. (Reuters)

Pope Calls Shroud A 'Touching Icon'

TURIN — Pope John Paul II on Sunday called the controversial Turin Shroud a "touching icon" of Christ's suffering but did not take a stand on whether it truly was the burial cloth of Jesus.

The 78-year-old Pope, on the second day of a weekend trip to northern Italy, said in Turin at an open-air Mass before more than 50,000 people that the shroud was "an eloquent message of suffering and of love, of death and immortal life."

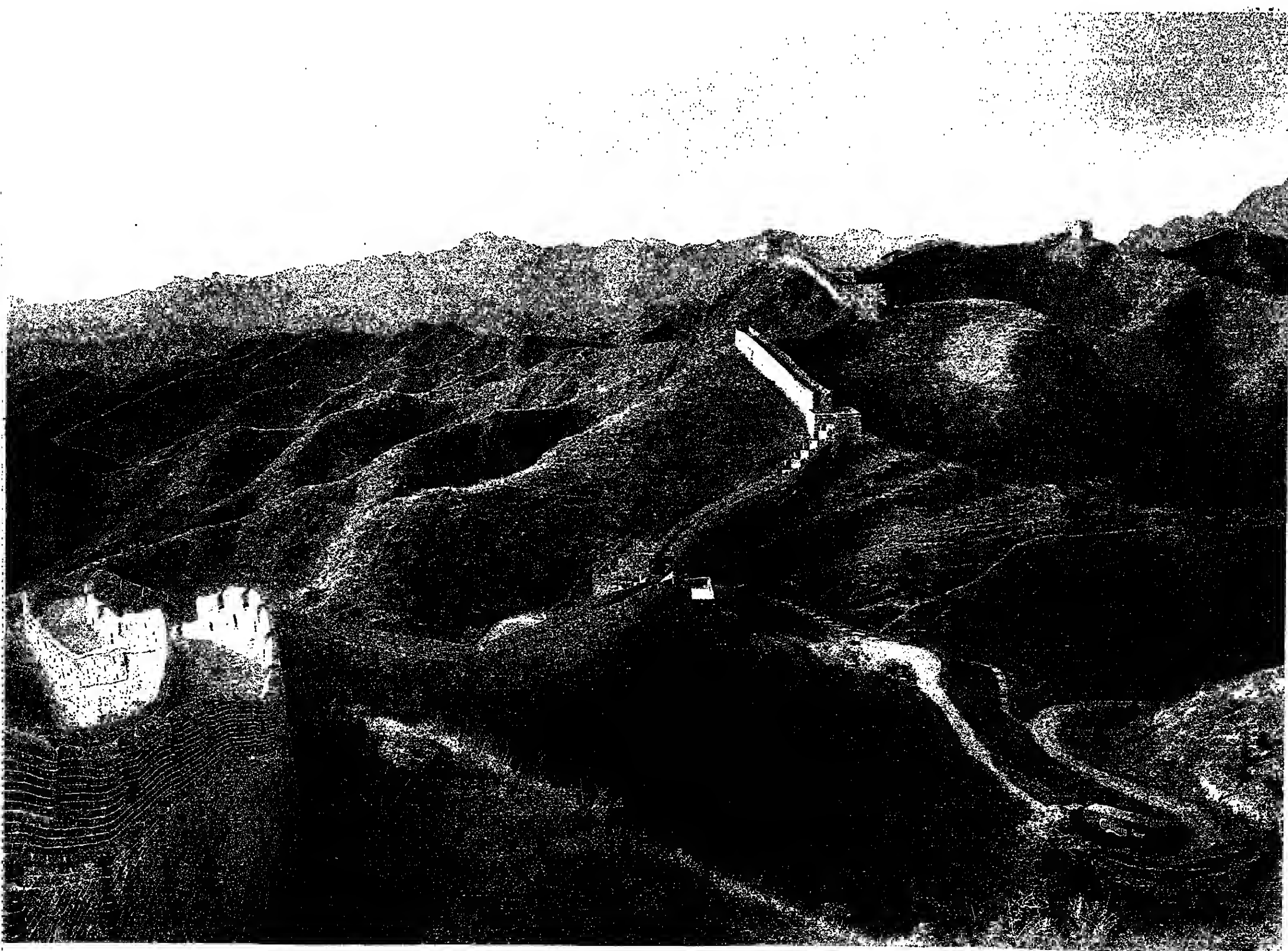
The Roman Catholic leader, who was due to pray before the shroud later Sunday at Turin's cathedral, said the controversial linen was a reminder to all Christians of Christ's death and crucifixion. (Reuters)

Belgian Pact on Police

BRUSSELS — Parties of the Belgian government and the opposition agreed Sunday to reform the police and the justice system in response to the brief escape last month of a pedophile, Marc Dutroux.

The four center-left government parties and four main opposition parties agreed to create a unified federal police force and a single district force, doing away with the military-style national gendarmerie and municipal police.

The change in the judiciary will be the creation of an independent council to supervise the legal system. (Reuters)



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INTERNATIONAL

U.S. Political Divisions Strengthen Netanyahu

By William Drozdiak
Washington Post Service

JERUSALEM — As the Israeli prime minister ponders his next move in the deadlocked Middle East peace process, one of the last things on the mind of Benjamin Netanyahu appears to be pressure from the U.S. government to make concessions.

In contrast to earlier tension between Israel and the United States, the struggle to break a 15-month stalemate in the quest for an enduring peace deal with the Palestinians highlights how the deep enmity between a Democratic administration and a Republican-controlled Congress has shattered the bipartisan consensus on the Middle East.

NEWS ANALYSIS

No Israeli prime minister can afford to be indifferent to Israel's ties to the White House. But during Mr. Netanyahu's U.S. trip last week, even members of his entourage were amazed at the willingness of prominent members of Congress, notably the House speaker, Newt Gingrich, Republican of Georgia, to denounce their own government and express support for the leader of a foreign power that receives \$3 billion in U.S. aid each year.

Mr. Gingrich, who arrived here Saturday for a four-day visit accompanied by the House minority leader, Richard Gephardt, Democrat of Missouri, and a congressional delegation to celebrate Israel's 50th anniversary, has accused the Clinton administration of exerting unacceptable pressure on Israel to carry out military withdrawals from lands considered vital to protect some of the 155,000 Israelis who populate West Bank settlements. In an opinion piece published in the Jerusalem Post on Friday, Mr. Gingrich said the Palestinians were largely to blame for the stalemate in the peace talks.

Israeli officials said Mr. Gingrich and members of Congress have urged Mr. Netanyahu to go even further than he deems wise or necessary in waging a frontal assault against the Clinton administration and its Middle East policy. The officials said the Israeli leader was told he would be backed to the hilt in any showdown with President Bill Clinton and that the legislators were prepared to do everything in their power to ensure that he won such a confrontation.

On Friday, Mr. Gingrich denied encouraging Mr. Netanyahu to take on the White House. "You never say that," Mr. Gingrich said, adding that he and other Republicans did affirm their sup-

port for Israel's right to determine its own security needs.

The Clinton administration has tried to escalate pressure on Mr. Netanyahu by threatening to make public its proposals and reveal who is responsible for the impasse over how much land in the West Bank to cede to Palestinian control in the second of three redeployments by Israeli forces. Since the Palestinian Authority has accepted the U.S. call for a further 13 percent land transfer that Israel is reluctant to accept, the implied warning is that the administration will lay the lion's share of the blame at Mr. Netanyahu's doorstep.

Confident of solid support in the U.S. Congress, Mr. Netanyahu has scorned such threats, implied or otherwise.

"Netanyahu has no peer when it comes to understanding the American arena," said Nahum Barnea, a leading political commentator for the Israeli newspaper Yedioth Ahronoth. "He knows that U.S. officials, from Albright down, are angry yet helpless. But he also knows he can always beat them because he owns the U.S. Congress."

Nonetheless, Mr. Netanyahu has tried to reassure members of his right-wing governing coalition, who worry about open conflict with the White House, that even though there is no love lost between him and Mr. Clinton, he still prefers to avoid a political showdown despite the exhortations of his friends in Congress.

At a cabinet meeting Wednesday, Mr. Netanyahu said he did not travel to Washington "to confront the American administration" and emphasized his belief that ties between Israel and the United States were "strong enough to survive any differences of opinion about the peace process," his spokesman said.

Gingrich Backs Israel's Stance

The U.S. delegation gave strong support to Mr. Netanyahu on Sunday in his conflict with Mr. Clinton over the terms for reviving the peace negotiations with the Palestinians, Agence France-Presse reported.

"We have no role in telling you and others what your position should be," Mr. Gephardt said during a meeting with Mr. Netanyahu.

Mr. Gingrich strongly supported Mr. Netanyahu's argument that withdrawals of the scope sought by Washington would endanger Israel's security. "True peace has to be based on true security," Mr. Gingrich said. He said the 45-member delegation "came first to celebrate 50 years of achievement. We came also to launch a second 50 years of even greater achievement, greater prosperity."



Ultra-Orthodox Jews dancing in Arab East Jerusalem on Sunday as Israeli troops paraded to celebrate Jerusalem Day, the 31st anniversary of Israel's annexation of the area, which was seized in the 1967 war.

Rwanda Tribunal Puts Out Call for Help

By Barbara Crossette
New York Times Service

UNITED NATIONS, New York — The chief administrative officer of the Rwandan war-crimes tribunal was here recently to ask for help — and not for the first time.

The tribunal, based in the Tanzanian outpost of Arusha, is battling accusations of mismanagement and is under surveillance by the UN inspector-general's office. But it also is struggling to operate with far fewer resources than its Balkans counterpart in The Hague, said Agwu Kiwike Okali, the administrative officer.

"We need investigators, administrators, bilingual lawyers, interpreters and court stenographers," said Mr. Okali, a Nigerian-born graduate of the London School of Economics and Harvard Law School. Mr. Okali took over as registrar of the Rwandan tribunal a year ago after Secretary-General Kofi Annan dismissed its senior officials.

The Rwandan tribunal, created by the

Security Council in the fall of 1994, is charged with bringing to justice those who carried out acts of genocide and other major crimes against Tutsi and moderate Hutu in Rwanda earlier that year.

When he was in New York, Mr. Okali gave a list of what he needs to make the tribunal run effectively to Mr. Annan and Undersecretary Joseph Connor. Mr. Okali pointed out the difficulties of operating in remote Arusha, where "you can't just run down the street and buy computer parts."

He wants a liaison officer in New York to see that someone pays attention. Requests can take a year to be filled, he said, because papers move from desk to desk for months. But the problem is more fundamental than that, he added.

"The United Nations has no experience in criminal work," said Mr. Okali, who once served as assistant counsel for Connecticut General Insurance Corp. "Court stenographers, for example, are unknown in the UN. We faced a big backlog of cases for lack of stenograph-

ers. We embarked on a crash program and had to contract this work out."

Mr. Okali said that he has also had to create a training program for interpreters who can work in French, English and the Kinyarwanda language of most of the tribunal's defendants and witnesses.

Temporary solutions to shortcomings like these have raised alarms in human rights organizations, which have questioned whether trials can be fair and whether there is a danger of convictions being overturned on legal technicalities. Despite its problems, the tribunal has a big agenda, having indicted and taken into custody more people than the Balkans tribunal.

Mr. Okali and his legal adviser, Kingsley Moghalu, said in interviews that it was difficult to lure people to work in Arusha, the Tanzanian gateway to the Mount Kilimanjaro region and four hours by road from Nairobi, the nearest large city. "It's a big difference from pushing paper in the Secretariat," Mr. Moghalu said.

2 Terrorists Are Hanged In Egypt

The Associated Press

CAIRO — Two brothers convicted of killing nine German tourists and their Egyptian driver outside the Egyptian Museum here were hanged Sunday. Before the execution, both men called the massacre a defense of Islam, the police said.

Saber Abu Ulla, a former mental patient, and his brother, Mahmoud, were convicted in October of shooting and fire-bombing a tourist bus while it was parked outside the museum.

The attack disrupted the vital tourist trade, which had only begun to recover in the aftermath of the 1991 Gulf War and a series of attacks on tourists by Muslim militants trying to overthrow the secular government of President Hosni Mubarak.

The government said the brothers were not linked to any Islamic group and had acted alone. Saber Abu Ulla told the court he supported Islamic militant groups, but had not joined one.

Before the hanging, Saber Abu Ulla said the attack was part of his crusade for God, adding that the people he killed were infidels and that he would have killed more if he had had the chance, the police said.

As he entered the courtroom at the Appeals Prison in Cairo, he repeated, "There is no god but God and Mohammed is his messenger."

His brother said he carried out the attack to avenge Muslims killed in Bosnia-Herzegovina and Chechnya, the police said.

Both men recited verses from the Koran, the Muslim holy book, as they awaited the hanging at dawn, the police said.

Mr. Mubarak ratified the death sentences in December, and the two brothers never appealed his decision.

The Abu Ulla brothers had pleaded guilty to the September killings and called their sentencing a "day of celebration."

A few days before the attack, Saber Abu Ulla had left a mental institution where he had been committed after killing two Americans and a Frenchman at a Cairo hotel in 1993.

Telford Taylor, Nuremberg Prosecutor, Dies at 90

By Richard Severo
New York Times Service

NEW YORK — Telford Taylor, 90, a principal prosecutor of high Nazi officials and leading German industrialists at the Nuremberg war crimes trials after World War II, died of a stroke Saturday in New York.

As a young army colonel at Nuremberg in 1945, Mr. Taylor helped write the rules for prosecuting Hermann Goering, Rudolf Hess and other top Nazis. He went on to become the trials' chief prosecutor and an authority on the laws of war. In the decades after the Nuremberg trials, Mr. Taylor wrote and lectured extensively on the moral conduct of the United States and other nations and was an early opponent of Senator Joseph McCarthy.

Among the concerns that beckoned him was what he saw as a continued reliance on war as an instrument of national policy and the commission of war crimes by the United States in Vietnam.

He began at the Nuremberg trials as an assistant to the chief counsel, the former U.S. Attorney General Robert Jackson. Mr. Jackson was the principal prosecutor leading Britain, France and the Soviet Union, as well as the United States, in the trials of Nazi leaders accused of crimes against humanity.

Some Nazis were tried in local courts all over Europe as countries began to be liberated.

But as the war drew to a close, the Americans felt strongly that there should be an international tribunal made up of representatives of the four major Allies.

In defining the proceedings, Mr. Taylor and Mr. Jackson agreed that even in the valuation of the people who had a role in creating death camps, conducting "experiments" on unwilling subjects and securing slave labor for the war effort, there could be gradations of guilt.

Mr. Taylor disclosed nearly 50 years after the war, in his book "Anatomy of the Nuremberg Trials"

(1992), that before he became involved in the trials, he was, like most Americans, ignorant of the mass extermination camps.

The initial indictments against 22 top Nazis resulted in 19 convictions; 12 Nazis were condemned to death, including Goering, chief of the Luftwaffe.

But Goering committed suicide by taking poison in his cell before he could be executed.

In 1946, when Mr. Jackson left his prosecutor's post, Mr. Taylor was promoted to brigadier general and named to succeed him. He soon won indictments against 23 German doctors and scientists, some of whom had conducted brutal experiments on prisoners of war.

The second round of trials lasted until 1949 and was something of a disappointment to Mr. Taylor. Alfred Krupp, the main fabricator of large-caliber artillery, armor plate, submarines and warships for Hitler's war effort, and the directors of the I.G. Farben Chemical Co. were all ac-

quitted of war crimes, like using slave labor, for lack of evidence.

If the results were not all that Mr. Taylor wanted, he believed that the war crimes trials had been successful, if for no other reason than to give the concept of "crimes against peace" precedent and legal standing.

In the 1950s, Mr. Taylor became increasingly alarmed by the activities of Senator McCarthy, the Republican from Wisconsin who was attracting national attention for his assertions that the State Department had been infiltrated by Communists and that Communists had infiltrated America's most powerful institutions, including the army.

Spurred by the McCarthy phenomenon, he wrote "Grand Inquest: The Story of Congressional Investigations," which was published in 1955 and which traced the history of congressional investigations from 1791. Among his other books were "Sword and Swastika" (1952), "The March of Conquest" (1958), and "The Breaking Wave" (1967).



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EDITORIALS/OPINION

Herald Tribune

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Down Payment on Peace

With Friday's historic referendum on the peace accords, voters strongly endorsed a new politics for Northern Ireland, one in which differences are settled by political institutions instead of guns.

It will take years to construct a permanent peace, but the vote was a vital down payment. Even though exit polls showed that Protestants were considerably less enthusiastic than Catholics, more than 70 percent of voters in Northern Ireland embraced a turn toward tranquility. That achievement and the prospect of further progress are not diminished because some voted "no."

But in this hour of celebration, the difficulties ahead should not be forgotten. Because the change now begun in Northern Ireland is so pronounced, each new step will test the commitment of the people and their political leaders.

Next month, voters will elect delegates to an Assembly that gives Northern Ireland self-rule for the first time in 24 years. Later in the year, those delegates will join with leaders from the Irish Republic in a North-South body to work on matters like agriculture and transportation. Some of the Protestant opponents of the peace agreement hope to win election to the Assembly to scuttle the North-South body.

These saboteurs would be betraying the cause they hold most dear, majority rule. The most important principle of the peace agreement for Protestants, who outnumber Catholics, is that the North will not become part of Ireland without majority consent. They must now accept the fact that the majority wants working political institutions.

Another milestone comes with the marching season, which peaks in July. Marches commemorating Protestant victories often go through neighborhoods that are largely Catholic. They

have often turned into violent confrontations. To reduce tensions, the British government set up a commission, with Catholics and Protestants, to choose parade routes this year. All groups should pledge to abide peacefully by the plans when they are unveiled. The police, as well, must show restraint.

Long-term issues also pose dangers. Many Protestants opposed the agreement out of fear that the Irish Republican Army might resume terror attacks even as its political arm, Sinn Féin, joined the Assembly. The peace agreement is designed to prevent this. Only politicians affiliated with groups that have renounced violence can be elected.

The same holds for prisoner releases. Only those affiliated with peaceful groups will be freed during the next two years. Protestants should demand more specific guarantees to ensure that, for example, IRA members do not pass explosives to a splinter group while claiming that their hands are clean. Prime Minister Tony Blair of Britain has promised such laws.

The most serious threat to the peace process lies in the stores of explosives and arms still held by paramilitary groups on both sides.

In signing the agreement, all groups pledged to work in good faith for disarmament. This falls considerably short of a promise to disarm. The IRA recently reiterated that it will not turn in its weapons. As Catholics begin to see other changes, like police reform, the IRA may be more willing to disarm. But this cannot be optional.

Eventually, the Assembly may have to bar the political affiliates of groups that refuse to turn over their weapons. The message of Friday's vote is that peaceful politics are not a tactic but a new culture for Northern Ireland.

—THE NEW YORK TIMES.

Milosevic's Latest

Slobodan Milosevic is at it again. The Serbian leader has now essentially banned the voices he fears most, Yugoslavia's independent radio and television stations. He apparently believes that he can get away with it because the world is concerned with the growing conflict in Kosovo, and with trying to get Mr. Milosevic to agree to serious, internationally supervised talks there. But the media are the only voices in Serbia that ever challenge his nationalist assault on Kosovo. Preserving them is crucial for a settlement in Kosovo and to keep alive any hopes of democracy in Serbia.

The ban was disguised as a normal licensing decision by Mr. Milosevic's Yugoslav Telecommunications Ministry. Of 38 independent radio and television stations that broadcast news in the Yugoslav republics of Serbia and Montenegro, 35 were shut down. Only three were granted new licenses. Those are two television stations and the ra-

dio station B-92, known internationally as the leader and organizer of the independent media.

Those stations are now required to pay licensing fees of \$12,000 to \$15,000 a month, which will quickly put them out of business.

All the other outlets granted frequencies either do not broadcast news or are pro-Milosevic. Mr. Milosevic's wife, son and daughter now each own a broadcast station.

Censoring the press was just one of Mr. Milosevic's recent activities. Last week he also tried to stir up ethnic conflict in Montenegro and to squash its new government, which bravely opposes his rule. Mr. Milosevic comes up with one creative idea after another to keep himself in power at the expense of his people. Most require propaganda. For Mr. Milosevic, controlling the media is critical to controlling his country.

—THE NEW YORK TIMES.

Awash in Firearms

With alarming frequency, gunfire has been erupting in schools around the United States, prompting new efforts by cultural analysts, psychiatrists and child behavior experts to explain why. While more definitive answers could help, the most disturbing truth is that the United States is awash in firearms — weapons all too readily accessible to children.

The politically powerful merchants of gunfire, fronted by lobbyists for a concede-nothing organization that spends lavishly to fight even the slightest constructive attempt to stem the flow, take no responsibility for the fact that America continues to top the countries of the civilized world in deaths by gunfire.

"Guns don't kill people; people kill people," say the gun peddlers over and over. Never mind that people with guns — children with guns — are people with a most effective tool for killing other people, on purpose or accidentally.

However unstable or influenced by exposure to violence these children may be, their access to firearms surely has contributed to the incidence of murder in the schools and everywhere else. Is it just a fluke that the overall firearm-related death rate among U.S. children younger than 15 was nearly 12 times higher than that among children in the other 25 industrialized countries combined (according to a report compiled by the Violence Policy Center)?

Is it perhaps possible that easy ac-

cess to weaponry may have something to do with the increase in the number of students who were expelled from schools last year for showing up with guns? If children could not get guns easily, would nearly three dozen students or teachers still have been killed in violent incidents at schools in the past year?

Law enforcement authorities know full well the consequences of easy access to guns. They know the lifesaving importance of limits on the number of handguns that may be purchased in a given time period; of careful licensing and regulating of gun dealers; of requirements that guns be made more difficult for children to find and to fire; of waiting periods and thorough checks of criminal records when guns are being bought; and of banning military assault-style weapons that have no useful purpose in a civilian setting.

There is no question that this latest string of deadly rampages in the schools calls for intensified attempts to determine what is causing children to arm, to fire, to wound and to kill. But until enough American lawmakers disassociate themselves from the warped doctrines of the gun-money lobby and turn their attention to fair and effective ways to protect the public — including law-abiding gun owners — these horrible events are all too likely to continue.

—THE WASHINGTON POST.

Charm War Won't Rescue U.S.-Russia Relations

By Jim Hoagland

MOSCOW — President Bill Clinton insists he will not come to Moscow for a summit meeting with Boris Yeltsin unless the Duma ratifies the START-2 nuclear arms treaty. But President Clinton's attempt to revive the politics of linkage is backfiring. Russian-American relations, adrift for months, are now dead in the water.

The Communist-dominated Duma is hostile to Mr. Yeltsin and to improved relations with Washington. By insisting that he will not come to Moscow before ratification, Mr. Clinton gives the Duma a whip hand over his diplomacy.

"The prospects of ratification are worse than they were three months ago," Foreign Minister Yevgeny Primakov said in an interview. "We are doing everything we can, and I think it will be ratified, in this year. But when... well, I cannot say. It does not depend on the executive branch of the government."

Mr. Primakov's careful statement, made in tones of regret, reverses the official, unrealistic optimism previously voiced in Moscow and Washington about imminent ratification. Earlier this month, Secretary of State Madeleine Albright indicated that she saw the Duma moving closer to ratification.

But the Duma last week postponed consideration of the treaty until September. Mr. Primakov said President Yeltsin's recent battle with the

Communists over a vote of confidence for Prime Minister Sergei Kiriyenko's new government, and the country's mounting labor strife, "may make this not the best time to raise the question" of linkage.

Mr. Primakov, who speaks with an authority Mr. Yeltsin allows no other minister, suggested that it is time for a summit meeting without conditions.

"It is not so necessary to connect the visit of President Clinton to ratification. In fact, this connection is creating some obstacles in the Duma now."

Mr. Primakov asserts that Duma ratification of the START-2 accord, negotiated by Mr. Yeltsin and President George Bush, is clearly in Russia's interest. Already ratified by the U.S. Senate, the treaty obligates the United States in effect to match nuclear arsenals that Russia is being forced to make unilaterally for budgetary reasons. Passage would also clear the way for Mr. Clinton to start his own strategic negotiations with Moscow.

The once promising Russian-U.S. partnership today looks wilted and wan. The American president has not set foot on Russian soil in two years; recent summit meetings have been held in the United States or Europe. Mrs. Albright has not visited in a year. Russian opposition to U.S. policies in Iraq,

Yugoslavia and elsewhere has grown more spirited as Mr. Clinton has concentrated on NATO expansion and improving ties to China as his strategic priorities.

Mr. Primakov, a Middle East specialist who previously served as head of Russian external intelligence, minimized the problems in U.S.-Russian relations, saying "today we are not in a zero-sum game." He lavished praise on Mrs. Albright, who he said had been "very strong, very able" in their frequent encounters at diplomatic meetings in Europe. "I trust her."

Mrs. Albright has said the same of Mr. Primakov publicly and privately. But their mutual admiration society has not added great new content to the diplomatic relationship of the world's two greatest nuclear powers.

Mr. Primakov, who is as subtle and cunning as Mrs. Albright is pugnacious and direct, replied in a rumbling baritone and with a shadow of a smile when I suggested that the United States and Russia still had conflicting interests in the Middle East and the Balkans. He focused on U.S. mediation between Israel and the Palestinians.

"Both the U.S. and Russia want stability in the region. We don't want to interfere. We think the Americans are doing a good job. A good job. Especially by Albright. And secondly, the United States doesn't want anybody else to be involved. They want to

monopolize this. So I am content not to share their failure."

U.S. officials have accepted his assurances that Russia "does not have a state-sanctioned policy" to help Iran develop nuclear and missile technology, he added. "I have explained this to Albright. The CIA and the Russian counterintelligence service have discussed this as well, and we have similar contacts with Israel. It is clear to everyone we have no interest in helping Iran with weapons of mass destruction."

U.S. abolition of Russia on Iran does not go as far as Mr. Primakov suggests. But Washington has not directly challenged his public professions of wanting to curb Iran's access to missiles that could strike Russia. President Clinton last week waived economic sanctions the Russian oil giant Gazprom had risked by dealing with Iran. A survivor with the instincts of a Talleyrand, Mr. Primakov has invested heavily in building a strong personal relationship with Mrs. Albright, and she has reciprocated. The Cold War has given way to a Charm War.

But the failure to move toward a new summit at a time when Mr. Yeltsin has made a strong recovery from his illnesses underscores that serious partnership fatigue has developed between the world's two most powerful military nations. Mr. Clinton should reassess summit linkage, and his strategic priorities.

The Washington Post.

Rebottling the Nuclear Genie: How Japan Can Lead

By Ralph A. Cossa

TOKYO — Has the nuclear genie been let out of the bottle? Will the recent nuclear tests by India result in a new nuclear arms race? Will Pakistan soon follow suit — and then North Korea, Taiwan and perhaps others?

The answer to these questions will depend in large part on the strength of the global reaction to India's blatant act of defiance against the near-universal consensus against nuclear testing.

Statements of regret or condemnation and even the selective application of sanctions will not be enough to pressure India to reverse course or to convince Pakistan and others not to follow India's lead. New Delhi, and those tempted to follow India, must understand that the consequences are both severe and long-term.

The risk of Pakistan's testing is plain. Its foreign minister, Go-

har Ayub Khan, when asked if Islamabad would respond with tests of its own, declared: "It depends on how effectively the United States, Japan and other actors deal with the whole scenario. Just a rebuke and a couple of weeks of posturing is not going to be enough."

Japan should take the lead. Unlike the United States or the other nuclear weapons states, Tokyo cannot be accused of merely trying to maintain its advantage. As a committed nonnuclear weapons state with firsthand knowledge of the horrors of nuclear arms, Japan's leadership credentials are impeccable.

Tokyo has announced that it will freeze economic aid in the form of grants, except those for emergencies and humanitarian purposes, and will withhold new

aid. Tokyo also has declined to host a World Bank-sponsored India Development Forum scheduled to be held in Tokyo, and has announced its intention to slow or block new loans from the bank and other institutions. Japan should go further and immediately suspend all aid and concessional bank loans to India. It should also state clearly that it would automatically take the same action against any other state that begins or resumes nuclear testing, and that such sanctions would not be lifted until the offending country ceased tests, signed the Comprehensive Test Ban Treaty without conditions, and then demonstrated its commitment to honor its obligation under the treaty for at least one year.

Only then would Japan consider a resumption of assistance.

This would put real pressure on America and the other industrial powers to follow suit.

India has stated that it would at some point consider adhering to some of the undertakings in the test ban treaty. It must be made clear that nothing less than unconditional acceptance of the treaty is sufficient and that even this will not result in an immediate lifting of sanctions. To do otherwise invites Pakistan and others to begin testing under the belief that penalties, even if harsh, will be temporary.

The United States should announce that New Delhi's signing of the treaty is now a precondition to President Bill Clinton's visit to India later this year. The United States should also stipulate that Mr. Clinton's planned visit to Pakistan will proceed — provided that Islamabad refuses to yield to pressure to follow

India down the testing path.

In return, the United States, and China should consider jointly providing Pakistan with security assurances against this increased Indian threat. Mr. Clinton also should announce that a Pakistani commitment not to test will be sufficient to lift the current Pressler amendment restrictions against American economic and military assistance to Pakistan — an announcement that Congress must quickly endorse.

Conversely, it must be made clear to Pakistan that if it does carry out a nuclear test it will face the same harsh, long-term consequences that confront India.

The writer is executive director of Pacific Forum CSIS, a nonprofit foreign policy research institute in Honolulu. He contributed this comment to the International Herald Tribune.

Indonesia's Donors Could Contribute to Real Reform

By Sidney Jones

NEW YORK — The world has reacted with near-universal skepticism to B. J. Habibie's emergence as Indonesia's third president. The handpicked successor to Mr. Suharto has no popular mandate, no power and no history that would indicate any inclination to reform. But Indonesia's donors could help push him in the right direction.

The countries and international financial institutions, including the United States and the International Monetary Fund, that make up the World Bank-chaired Consultative Group on Indonesia, a donor

consortium, could say to Mr. Habibie that any further disbursements of funds, and therefore economic recovery, will depend on concrete steps toward the kind of reform that the Indonesian people are demanding.

Those steps should include: • Releasing all political prisoners. No act could do more to distance Mr. Habibie from his former patron than the release of those who managed to offend Mr. Suharto during his 32 years in power.

• Setting a clear timetable and

procedures for a fair election in the very near future. This would give the Indonesian people the first opportunity since 1955 to exercise their right to choose their own representatives.

• Repealing all laws used to arbitrarily detain critics and political opponents, including the anti-subversion law and various articles of the criminal code that prescribe severe penalties for insulting the head of state and "spreading hatred" toward the government.

Mr. Habibie noted in his inaugural speech that he was

committed to a "review" of the anti-subversion law. If "review" were replaced with "repeal" and extended to all laws used to penalize peaceful dissent, this would be an important gesture of his government's commitment to reform.

• Repealing the package of five laws, most of them from 1985, that freeze the political system in its current form. The package includes laws on political parties, elections, local government and mass organizations. The Justice Ministry has already been given instructions to begin redrafting the laws, but drafting legislation can go on

for years. This is a step that needs to be taken quickly.

Initiating a dialogue on political reform and human rights protections with the people of East Timor, the former Portuguese colony invaded by Indonesia in 1975 and annexed the following year. Such a step would necessitate the release of the imprisoned East Timorese leader Jose Xanana Gusmao.

• Publicly announcing Indonesia's commitment to signing and ratifying major international human rights treaties. • Establishing a high-level commission to review the longstanding "dual function" of the Indonesian military, which gives the armed forces a role in social and political affairs as well as in defense and security matters.

Members of the donor consortium should continue to give Indonesia the humanitarian aid it needs, as well as any assistance designed to strengthen civil society or to fund scholarships for Indonesian students. But all other assistance, including IMF disbursements, should be made conditional on tangible signs of movement on the above steps.

That movement could not only be the key to economic recovery but might also help Mr. Habibie change his image as a Suharto crony.

The writer, executive director of the Asia division of Human Rights Watch, contributed this comment to the Herald Tribune.

Demise of Suharto Is Part of a Regional Trend

By Alan Dupont

CANBERRA — The demise of President Suharto after 32 years in power is an event of seminal importance not only for Indonesia but also for the broader region. He is the latest and most prominent political casualty of a trend toward greater democratization that is transforming the nature of politics in East Asia.

This transformation has been under way for at least a decade, transcending national boundaries and East Asia's diverse political and social systems. It has been characterized by the emergence of "people power" as a potent new political dynamic in the Philippines, South Korea, Thailand and now Indonesia.

In these states, seemingly well-entrenched authoritarian regimes backed by the armed forces have crumbled, often with surprising rapidity. They have been replaced with governments more in tune with the aspirations of ordinary people.

Reversions to authoritarianism cannot be ruled out. But recent events in Indonesia confirm that the underlying trend in East Asia is toward participatory government and the empowerment of the region's previously quiescent middle classes. This trend cuts across political, religious and ideological divides. With the notable exceptions of Burma and North Korea, every state in the region has become more open and democratic than it was 10 or 20 years ago.

Significantly, the trend away from old-style authoritarianism is occurring at a time of leadership transition in East Asia. Since China's Jiang Zemin consolidated his power in 1997, Thailand, Vietnam, South Korea and Indonesia have installed new leaders (and the Philippines

has just elected one). Political change is likely to occur in Cambodia, Malaysia, Taiwan and Japan over the next 18 months.

The way in which Mr. Suharto was pressured to step down will imprint itself on the collective consciousness of a new generation of Asian leaders. The lessons are clear. Unless leaders preside over governments that are politically responsive, financially prudent and economically competent they will find it increasingly difficult to retain power.

Another aspect of Mr. Suharto's downfall that has ramifications beyond Indonesia is the way in which the political prerogatives and policy options of national governments are being circumscribed by what Prime Minister Mahathir bin Mohamad of Malaysia has darkly referred to as "outside influences" — global financial markets and institutions like the International Monetary Fund.

To the consternation of many in the region, the IMF has played a central, unintended, role in bringing the Suharto era to a close by insisting that Indonesia meet stringent economic and financial standards before being granted access to the \$43 billion IMF rescue package. The resultant price rises aggravated the political crisis and directly contributed to the demonstrations and rioting that precipitated Mr. Suharto's resignation.

Already there are calls for the IMF to adopt a less interventionist role and to take greater account of political realities before tendering advice and offering assistance. The Indonesian experience is likely to strengthen the determination of those who

want to establish a regional alternative to the IMF that would be less intrusive and less dominated by the United States and Western financial interests.

The capacity of Indonesia's new government to get its economy back on track is critical to the economic health of the wider region for two reasons.

In the eyes of international investors, Indonesia is emblematic of East Asia's economic malaise. Investor confidence in the region will not return until Indonesia shows clear signs of economic recovery.

There is also concern about the Indonesian exposure of Japanese banks and financial institutions. Japan is Indonesia's largest foreign investor with outstanding loans totaling around \$23 billion. If the Indonesian economy does not recover soon, much of this debt may have to be written off. This would place added stress on Japan's already ailing financial sector.

If Japan descends into recession, the region's economic and political illness will enter a more virulent phase, raising the prospect of further instability and uncertainty.

Indonesia's domestic turmoil will strike another blow to the pride and confidence of the Association of South East Asian Nations. Barely 12 months ago ASEAN was riding high, buoyed by burgeoning economic growth and the belief that it was on the verge of achieving its aim of a united and prosperous Southeast Asia.

Now the group must contemplate the temporary loss of Indonesian leadership as its largest and most influential member enters a period of introspection

and domestic uncertainty. Indonesia's problems will diminish ASEAN's political and economic authority, and reduce its ability to act as a strategic counterweight to the region's ascendant power, China.

For all these reasons, Indonesians are not the only ones with a vital stake in the outcome of the reform process now under way in their country.

The writer, director of the Asia-Pacific Security Program at the Australian National University's Strategic and Defense Studies Center, contributed this comment to the Herald Tribune.

IN OUR PAGES: 100, 75 AND 50 YEARS AGO

1898: Tammany News

NEW YORK — If anything could divert public attention from the war, it would be the affairs in the police board. Mayor Van Wyck has removed two Republican members of the board. His reason is that New York is now Democratic, and that the police authority and patronage must be handled by the Democrats. This has raised a terrible howl by Messrs. Platt and Quigg. They appeal to the Governor to remove Mayor Van Wyck, and threaten the Governor with loss of re-election unless he complies.

1923: French Crisis

PARIS — The French Cabinet resigned last night (May 24), but President Millerand firmly declined to accept M. Poincaré's resignation, and before midnight he had induced him and his Ministers to remain in

office. M. Poincaré and his Cabinet handed in their resignations in consequence of the Senate, by a secret vote, refusing to sit for the trial of twenty-six Communists charged with an "attempt against the interior and exterior security of the State."

1948: China War Slows

HONG KONG — The Chinese Communist high command has decided that the war must go more slowly than enthusiastic party members had expected. Among the factors that have caused the shift are the following: First, a realization that more time is needed for the political consolidation of territories won by Communist troops. Second, the difficulty of converting government officers who have gone over to the Communist side. Third, unexpectedly strong opposition from the feudalistic troops of local landlords and gentry.

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HEALTH/SCIENCE

Pivotal Bone Linked to Shape of Human Face

By John Noble Wilford
New York Times Service

NEW YORK — One look at the face of a human being and the skull of a Neanderthal is enough to see a striking difference. The Neanderthal face projects out from the cranium. The human's is aligned more vertically, directly below the cranium. In fact, humans are unique among mammals in their lack of forward projecting faces.

on the size and changes over time of one pivotal bone, the sphenoid.

In a close examination of the sphenoid in humans and their archaic hominid relatives, Dr. Daniel Lieberman found the bone to be a kind of cornerstone of the skull. Lying at the base of the brain case, behind the palate and in front of the vertebral column and as wide as the skull, the sphenoid joins 17 of the 22 bones in the skull. The face, in a sense, grows forward from the sphenoid.

Comparing modern and archaic skulls, Dr. Lieberman noted that the length of the human sphenoid is 20 to 30 percent shorter than the similar bone in other hominids, including Neanderthals.

The longer sphenoid bone had presumably been the major factor dictating the long projecting faces of Neanderthals, which became extinct in Europe 30,000 years ago, and archaic species like Homo heidelbergensis, considered by some paleontologists to be the immediate direct predecessor of modern Homo sapiens.

"So just change the shape of one bone and it has all kinds of effects on how much the face projects in front of the brain case," Dr. Lieberman said. "In turn, facial projection affects all sorts of aspects of our overall cranial shape, such as how large our brow ridge is and how steep our forehead is."

The reduction of facial projection, the anthropologist said, contributes to the more globular shape of modern human craniums, compared

with the flat, sloping brain cases of Neanderthals.

His investigations were based on X-ray pictures and computed tomography scans of human and early hominid skulls. One difficulty was the scarcity of sphenoid bones, which are fragile and often are not preserved in skull fossils.

FROM this perspective at least, Dr. Lieberman said in an interview, "it doesn't seem to take a lot to turn a Neanderthal into a human."

The shortening of the sphenoid presumably occurred about 125,000 years ago. That was about when anatomically modern humans first appeared in Africa and later drove archaic relatives to extinction.

Dr. Lieberman was cautious about possible implica-

tions of the findings for the rise of humans or the fall of Neanderthals. Perhaps the changing shape of the face led to adjustments in the placement of the larynx, which might account for the development of more articulate speech in modern humans, compared with that of the Neanderthals. That is only speculation, he emphasized.

Neanderthal speech, like most aspects about these Ice Age hunters, is controversial. Recent evidence by Duke University anthropologists indicated that Neanderthals and other hominids as far back as 400,000 years ago may have been able to speak, though other scientists continue to believe this ability was limited until modern Homo sapiens came along. In a report of the findings in

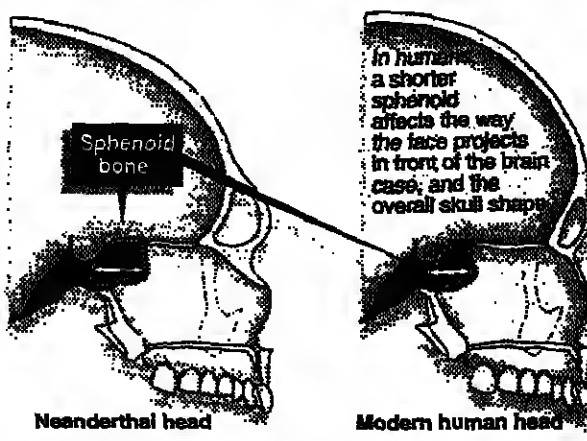
the current issue of the journal Nature, Dr. Lieberman concluded, "Sphenoid reduction, through its effects on facial projection and cranial shape, may account for the apparently rapid evolution of modern human cranial form, and suggests that Neanderthals and other archaic Homo should be excluded from H. sapiens."

This analysis, scientists said, supports recent human evolution research indicating that modern humans arose in Africa and then spread through the world, instead of evolving in different parts of the world from archaic species there.

If the findings are correct, modern humans would appear to be more closely related to each other than they are in the archaic Homo species that preceded them in various regions of Europe and Asia.

Mankind's Changing Face

A study by Dr. Daniel Lieberman of Rutgers University suggests that the shape and dimensions of the modern human face depend to a large extent on the development of one small bone, known as the sphenoid, at the base of the skull.



Source: Dr. Daniel Lieberman, Rutgers Center for Human Evolutionary Studies

Famished In Space?

Whipping Up A Perfect Meal For Astronauts

By Jane E. Brody
New York Times Service

ITHACA, New York — The task facing food scientists at Cornell University here is formidable: devising tasty, appealing, nutritious dishes for consumption on the Moon, Mars, Jupiter — anywhere that astronauts might set up long-term housekeeping — using only about two dozen foods from crops that can be grown hydroponically in space.

Not only that, but the ingredients and the dishes made from them must be relatively easy to prepare by people whose primary training is in space, not kitchen science. Also, the whole creative process has to be cheaper than shipping ready-made supplies from Earth, which could take months to years.

Planners have already rejected the shriveled freeze-dried concoctions or pureed foods squeezed from toothpaste tubes, foods that astronauts routinely dump the way schoolchildren discard unwanted contents of their lunch boxes. To maintain their health and energy for many months or years at a time, astronauts will have to eat everything on their plates, so their food must be appetizing. Unlike astronauts free-floating in space who were forced to eat from containers, those in land-based space stations would have enough gravity to hold their food on plates, which broadens the options but demands that the foods have eye appeal.

Besides, as Dr. Jean Hunter, a principal investigator on the space food project, put it, "When people are living in a closed system for a long time, food becomes larger than life."

Dr. Hunter said that Jack Stuster, a specialist on isolation and confined environments who wrote "Bold Endeavors," had showed that "food assumes a much larger importance when



Seitan, pudding, spinach croquette, bread, crackers and potato salad.

other sources of sensory input and variety are limited, as when people are living in confined quarters like a space station, where they can't really get out much, they don't see anyone except other members of the team, they look at the same walls, floors and ceilings every day, and they're very far from home."

The researchers here have been at work for a year now, under a three-year, \$507,000 grant from the National Aeronautics and Space Administration, which is working toward eventually establishing a colony on Mars. So far the researchers say they are thrilled with what they have managed to create from the limited list of ingredients, none of which come from animals.

Animals in a space station would compete with the astronauts for oxygen and food and add to the already onerous task of recycling digestive waste. Plants, on the other hand, cleanse the air of carbon dioxide and release much-needed oxygen and water. In addition, they flourish on the liquids and nutrient-rich fertilizer from sanitized human waste. In every way possible, the environment in a remote space station must be self-sustaining, constantly recycling materials and regenerating basic resources.

Among the more winning plant-based dishes, devised by Adriana Rovers, herself a longtime vegetarian and cooking teacher, are cream of red pepper soup (creamed with soy milk), vegetarian fajitas (with seitan, a protein product extracted from wheat flour, fashioned to simulate meat or chicken) served on whole wheat tortillas and topped with tomato salsa and tofu sour

cream and, for dessert, sweet potato pie. To put the Cornell creations to the supreme test, two dozen carnivorous volunteers have been recruited to test the vegan dishes that Ms. Rovers prepares. "We're looking internationally to produce a culturally varied cuisine," said Rupert Spies, a lecturer at Cornell's School of Hotel Administration. "After all, space stations are not likely to be staffed only by American explorers."

AMMAR Olabi, a graduate student in food science whose job includes analyzing the dishes had passed a test, devised by the army, for "hedonic value" or gustatory appeal. A broccoli and mushroom dish commanded the highest overall acceptance score of 4.7 on a 9-point scale in which 1 means "dislike extremely" and 9 means "like extremely."

In developing her recipes, Ms. Rovers must keep in mind that only 10 percent to 15 percent of calories will be supplied by ingredients imported from Earth. That includes such occasional treats as steak, ice cream and chocolate for "celebration meals," Dr. Hunter said.

"The astronauts' diet has to meet minimum requirements and be nutritionally balanced over a period of weeks, but it can't be in excess of requirements because it's very costly in time and energy to grow the food in space," said Dr. David Le. risky, a professor of nutritional science. "And because the cost of producing energy is so high, these diets will be low in fat — about 15 percent of calories from fat, I would guess."

Debate Over Psychiatric Research

By Philip J. Hilts
New York Times Service

NEW YORK — Andrew Brownstein, a severe manic-depressive, was desperate. None of his medicines could keep the anxiety and depression of his illness at bay. So in the fall of 1994, he agreed to become a research subject at the National Institute of Mental Health in Bethesda, Maryland. It would put him, he recalls, at "the cutting edge of medicine," where he would learn much about his disorder and get superior treatment.

Instead, he said, he was taken off his medicines, subjected to painful tests and given a wide variety of chemical substances to test his reactions. For a year, he said, consent forms and explanations of experiments to be done on him were passed out casually, with little attempt to see that he understood. But then, he added, he was very ill and often could not follow what was said to him anyway. Mr. Brownstein, 39, said he became so distraught that he begged for the doctors to give him shock therapy. He told of plans to commit suicide.

What is remarkable about the experience Mr. Brownstein describes is that it is so common in psychiatric research. A large percentage of drug trials seeking to put new psychiatric medicines on the market use dummy pills and take patients off their medicines.

Federal ethics officials estimate that there have been 100 to 300 experiments in which patients were taken off their medicines when no new medicine was being tried; rather, they were taken off their medicines to observe the patients as they relapsed in order to study the illnesses. Among those experiments were some in which toxic drugs like ketamine, an anesthetic related to the hallucinogen "angel dust," were given to provoke patients into relapses.

Now, spurred by accounts from Mr. Brownstein and thousands of other vulnerable people, federal and state agencies are considering major changes in the rules governing psychiatric research on mental patients and others who might have trouble giving valid consent.

The National Bioethics Advisory Commission, appointed by President Bill Clinton, is considering proposals that would require researchers first to test potential research subjects to see if they are capable of giving consent. They also would have to justify high-risk experiments to the local review boards that approve research, and would have to name legal and medical monitors to whom the patients could appeal during experiments.

Several states are also rewriting their guidelines for psychiatric experiments, as are other federal agencies, including the National Institute of Mental Health and the Office of Protection from Research Risks, the watchdog office that

investigates violations of federal law in human experiments. Psychiatric researchers argue that their studies are important to the understanding and future treatment of mental disorders, and that patients can be deprived of medication for brief periods with little harm.

Speaking for the mental health institute, Dr. John Hsiao, a psychiatrist at the institute who is editor of its Schizophrenia Bulletin, said: "We shouldn't ever do anything that has a significant chance of permanent harm for the patients. But I think we can ask patients to put up with an exacerbation of symptoms. They should be given a chance to contribute in science."

Dr. Hsiao did acknowledge, however, that patients sometimes might not understand what they are getting into, because the consent forms and explanations can be legalistic and badly written, and doctors do not always make things clear to research subjects. "We can do better," he said.

Alexander Capron, an ethicist at the University of Southern California and a member of the Bioethics Advisory Commission, gave a harsher assessment. "Some of these consent forms contain outright deception," he said in an interview. "They lead patients to believe they are going to get treatment when they are actually going to be taken off treatment and observed while they have horrible relapses of their illness."

LANGUAGE

A Good Pop Opens a Vein of Inquiry

By William Safire

WASHINGTON — "Dear sir," begins a letter from Stephen Sondheim, the prize-winning Broadway songwriter. Because his exhortation is written with his usual flair, I reprint it here in full:

"In his weekly contribution to your Sunday magazine section, William Safire writes, 'Let others fight their way through the maelstrom of charge and countercharge about low sex in high places; the duty of this column is to get to the bottom of the origins and development of the hot phrases.' Yes, indeed. Would that he practiced what he preached."

"His column used to be about language. For a long time now it has been nothing but a sly forum for his virulent, bilious and, in my opinion, psychopathic hatred of Bill Clinton. His pretended interest in the linguistic fallout from such notable phrasemakers as Paul Jones, Susan Carpenter-McMillan, Ken Starr, Dick Amey, Trent Lott and their like, often filtered through the remarks of his friends, colleagues and commentators, is a transparent excuse to remind the reader of his (Mr. Safire's) political obsessions. Like his fellow reactionary, he's an unregenerate pork-barreler: he attaches his views, no matter how irrelevant, to anything that moves."

"Safire already has two shots a week on the Op-Ed page. Isn't that enough? To call his Sunday salvo On Language is only one of his hypocrisies. The column used to be a vehicle for his often-entertaining observations about words and phrases as linguistic outcroppings of national culture, not an excuse to slather us with his shrill opinions."

"Tell him to go back to his roots. 'Yours, Stephen Sondheim.' That is what is called in the trade 'a

good pop." Although a self-imposed discipline prohibits my taking issue in this space with the political substance of his charges, it may be instructive to deal in temperate and scholarly fashion with some of Sondheim's semantic and rhetorical usages.

Virulent, bilious and, in my opinion, psychopathic. The earliest meaning of the adjective virulent (from the Latin virus, "poison") was the nature of an infection "marked by a rapid, malignant course." This precursor of poisonous, like the synonym "venomous," has since been extended to mean "malicious, mean-spirited, excessively harsh." Virulent, especially to the many now attuned to the dangers of viruses, is a more apt word than the overused vicious or the unfamiliar vituperative ("berating abusively").

Bilious is how you feel when your liver secretes too much bile, or how you look when so afflicted (sickly yellowish, almost green). A sense derived from that, accurately used by Sondheim here, is "peevish" or "ill tempered."

Because psychopathic is rhetorically excessive — any charge of "bav-ling a mental disorder often leading to criminal behavior" tends to turn reasonable readers off — it would or dinarily lessen the impact of the two previous adjectives. But note the writer's skillful interjection of in my opinion before the third word. The phrase not only introduces a dramatic pause before a point, but also seems to say that virulent and bilious were self-evident fact and that only psychopathic was a matter of opinion. The writer's admittedly debatable medical evocation is reinforced in the next sentence with a specific form of psychopathy, obsessions. Such progression of images is what goes into a good pop.

He's on unregenerate pork-barreler: he attaches his views, no matter how irrelevant, to anything that moves. The meaning of unregenerate is "stubborn, obstinate," run-of-the-mill words. Better, in a pop, to use a less familiar, longer term with a good rhythm that most readers sort of understand in the context. The writer's choice here is among unreformed (the original meaning, but too closely associated with political reform), unreconstructed (colored by Civil War Reconstruction) and unregenerate (which can be nicely confused with degenerate).

I would have gone with unreconstructed with its historically reactionary Confederate connotation, because it would set up pork barrel, a political Americanism derived from the barrel in which salt pork was distributed to slaves in pre-Civil War days. "Often the eagerness of the slaves," wrote C.C. Maxey in 1919, "would result in a rush upon the pork barrel. ... Members of Congress in the stampede to get their local appropriation items into the omnibus river and harbor bills behaved so much like Negro slaves rushing the pork barrel that these bills were facetiously styled 'pork barrel' bills."

Sondheim's use of the noun pork-barreler takes the word-picture of a politician larding "pork," or government largess, into unrelated legislation, and extends that image to a writer attaching irrelevant views to a faster-moving subject. That's an effective extension of a metaphor.

The closing line, Tell him to go back to his roots, is not a derogation of the Bronx, where I went to high school. The great lyricist's double meaning is to the Nixon White House, from which the lifelong biliousness of the object of his ire was presumably derived, as well as to this column's primary concern with etymology, the roots of words.

Deconstruction of a well-built pop opens a vein of inquiry that is always worthwhile. Isn't it rich?

New York Times Service

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THE WORLD'S DAILY NEWSPAPER

INTERNATIONAL

Last-Minute Appeal to Protestant Youth and Women Helped 'Yes' Forces

By Richard L. Berke
New York Times Service

BELFAST — No one was a more stubborn or obstreperous opponent of the Northern Ireland peace agreement than the Reverend Ian Paisley. So moments after its resounding passage was announced at the King's Hall here, "yes" supporters encircled the "no" preacher, taunting, "Dinosaur!"

They thrust hastily produced placards in his face that bragged, "70 Percent Yes." Then, encouraging Mr. Paisley to get out of the way of the new Irish politics, they broke into a lusty chant of "Cheerio, Cheerio, Cheerio!"

Such unrestrained, boastful glee is uncommon in dour, beaten-down Northern Ireland. But the agreement's supporters managed to do the politically unthinkable in a place where compromise has not been part of the vocabulary: They built a coalition — even more remarkable be-

cause it was so brittle — that included a majority of Roman Catholic nationalists and a large share of Protestant Unionists. The first group wants this British province to merge with the Irish Republic; the second wants to retain union with Britain.

The 71 percent who voted "yes" in the referendum Friday decided, as they say in Ireland, that half a loaf is better than none.

Most Catholics favored the agreement from the start, viewing it as a chance to gain more influence in a province where they are in the minority. But the commanding victory came about because supporters appeared to persuade more than half of the wavering Unionists to consider one argument above all others: Like it or not, the treaty is at least an attempt at peace.

This is what former Prime Minister John Major — borrowing from President Bill Clinton — called "the politics of hope."

P.J. Mara ran the campaign for the agreement

in the Irish Republic, which as expected registered an even more convincing majority. He explained it in an interview before he began the effort late last month: "Our focus-group research shows that the one argument that transcends others is, 'This is our best chance in a generation to get peace.' The prize of peace transcends every other argument."

While the accord was always expected to pass, backers in Northern Ireland faced a big hurdle in pulling Unionists to their side. Polls showed that a large share of the roughly 1 million prospective voters in the province were undecided in the closing days and that many of the undecided were moving to the "no" camp. Their main reason was a provision that calls for the accelerated release of political prisoners.

But supporters managed to halt the loss of support by sending Prime Minister Tony Blair and other prominent politicians, who conceded that there were distasteful elements but repeated

over and over that the accord could not be "cherry-picked." Their pitch was that, though flawed, it was the best hope for peace.

So many celebrities swarmed into Belfast seeking support that one disk jockey quipped, "Nobody would be surprised to see the queen, the Pope and the Spice Girls at this point."

Another strategy of the supporters in the closing days was to reach out to young Protestant voters, who were viewed as perhaps less intransigent than their parents, as well as to women, who might find the peace message particularly appealing.

To win over young people, the "yes" campaign sent five-minute videotapes to 15,000 first-time voters. The tapes featured rock bands and young people's testimonials that the accord offered a chance at peace. In its appeal to women, the campaign ran a full-page newspaper advertisement the morning of the vote with the photograph of an infant born the day before.

Once again, the message was peace for the children.

"The last week was worrying for us," said Quinn Oliver, who ran the "yes" campaign in Northern Ireland. "But we turned it around." Sydney Elliott, a senior lecturer in politics at Queens University Belfast, said the supporters ran a lackluster campaign until the end, but were helped by their opponents' inability to put forth a positive message.

"The 'no' campaign ran out of steam," Mr. Elliott said. "The campaign switched to the big picture, and they were harping on points of detail of the agreement. It sounded like carping."

In recent interviews throughout Ireland and in this province, many said that while they were not particularly optimistic about peace, they were open to giving it a chance.

As for those who want him to exit, stage right, the master of "no" had one thing to say: "Paisley is not going away."

For Angola, A Peace That Resembles War

By Suzanne Daley
New York Times Service

LUANDA, Angola — The rebel headquarters here, once reduced to rubble, has been rebuilt. Its white walls, lacquered front door and jaunty green wrought-iron fence stand in sharp contrast to the bullet-pocked buildings and sewage-clogged gutters all around it.

In a flurry of activity in the last two months, the Angolan government and the former rebels have almost completed the tasks called for by the peace treaty they signed four years ago, including legalizing the rebels as an opposition party.

On paper, at least, peace is but a check mark or two away.

It has taken far longer than anyone expected. And it has cost far more. The United Nations has spent more than \$1 billion here so far.

Yet even now it is unclear whether peace is at hand in this country, which has been savaged by more than two decades of civil war, including years as a Cold War battleground.

The government and the rebels — who are known as UNITA, for the Portuguese acronym of the National Union for the Total Independence of Angola — have made major concessions in the last few months.

But political analysts say that they have also continued to rearm and that violence in the countryside has been increasing. Many say they have never seen such a large disconnection between the advances made in completing the treaty and the reality of life on the ground.

"We have accomplished a great deal," said Alioune Blondin Beye, who heads the UN mission here. "It is almost over. But there is a disturbing distance between what has been accomplished and the security situation in this country, particularly in certain areas."

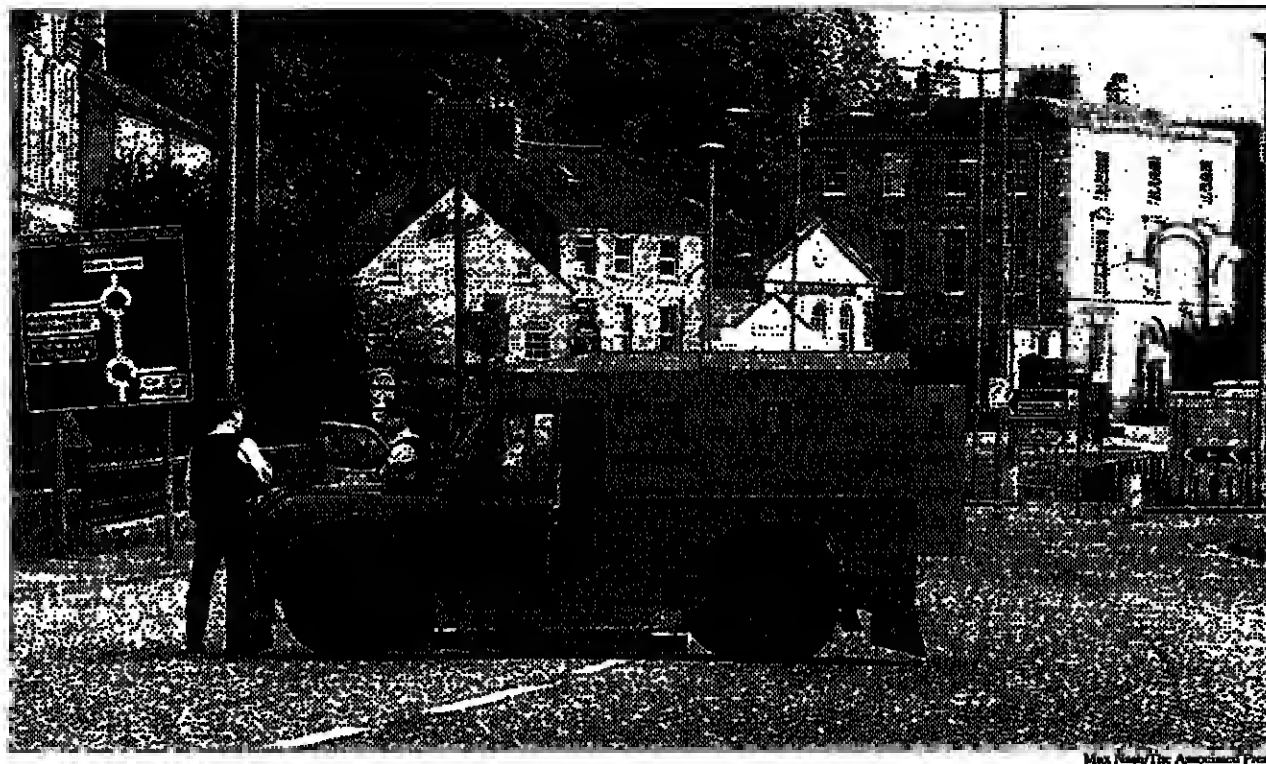
For now the violence appears to be of the hit-and-run kind. UN officials say it is hard to figure out who is doing what to whom. Some episodes appear to involve well-organized, well-armed UNITA soldiers attacking new government posts in formerly rebel-held territories.

But government soldiers have also been the aggressors in some areas. Isaias Samakuva, who heads the UNITA negotiating delegation in the capital, Luanda, said recently that former UNITA soldiers were being hunted down in their villages, tortured and killed by government forces.

Some violence may not be organized at all. UN officials believe it involves hungry former rebels sent home to their villages who now survive on banditry. Drunken government soldiers, unpaid, armed and isolated in hostile towns, are also a problem. Still other clashes may be part of cattle-rustling feuds.

But disturbing trends include the rearming of some areas and attacks on UN and relief workers. In March, a UN helicopter was fired on while transporting government, UNITA and UN officials to a ceremony marking the hand-off of UNITA territory in Malange Province.

Three days later, a UN camp was shot up during an attack on a town in Benguela Province, reportedly by UNITA soldiers. And a UN soldier was wounded and his armored vehicle damaged when a mine exploded on a main road near the town of Huambo.



Police sealing off the center of Newry, near the border with the Irish Republic, after three bomb-laden vehicles, including a hijacked bus, were found there shortly after the outcome of the referendum was announced.

Clinton Hails the Dual Votes

New York Times Service

WASHINGTON — An elated President Bill Clinton sent a warm message of congratulations to the voters in the Irish Republic and in Northern Ireland after their approval of a wide-ranging peace accord.

"It is the culmination of a springtime of peace, and it must be the beginning of a long season of happiness and prosperity," Mr. Clinton said. "We are rejoicing at the news from across the Atlantic."

Mr. Clinton, who claims a bit of Irish heritage, said: "All over America, the eyes of Irish-Americans and indeed all our peace-loving citizens are smiling. We are very proud of you." Mr. Clinton strongly backed the accord. It was his envoy, former Senator George Mitchell, Democrat of Maine, who brokered the deal.

Representative Peter King, Republican of New York, co-chairman of the ad hoc congressional committee for Irish affairs in the House, called the referendum's results "the most historical moment for Ireland in this century." He said the agreement "ends horrific violence, creates real democratic institutions and provides a road map for what will be a united Ireland one day."

Mr. King said, however, that he expected continued resistance from Protestant Unionists in the north, and he said he worried that Britain might try to stiffen conditions for the participation of Sinn Féin, the political arm of the Irish Republican Army.

Representative Patrick Kennedy, Democrat of Rhode Island, said he returned from a trip to Ireland last month heartened by what he perceived to be a willingness to find new ways to achieve peace. "The future couldn't be brighter," he said.

IRISH: No Celebrations

Continued from Page 1

Unionist movement and the release of prisoners, some of whom committed memorably savage acts.

Immediately at hand is another round of Northern Irish politics as the campaign begins for the June 25 elections to the Northern Ireland Assembly set up by the agreement.

While the "oo" effort, led by the hellfire preacher-politician Ian Paisley, failed in its mission to attract a majority of the Protestant vote, it ran a skillful campaign and is dedicated to a new goal of stacking the new legislature with as many naysayers as possible.

David Trimble, head of the largest Protestant party, the Ulster Unionists, will be laboring to persuade skeptical Unionists about the merits of the agreement that he actively promoted over the objections of six of his fellow members of the British Parliament from his party.

His chief concern is that even Protestants who voted for the accord might favor putting hard-liners in the assembly to offset the power in the body of the party they most fear, Sinn Féin, the political wing of the Irish Republican Army.

Catholics see the assembly as a chance to exercise political power long denied them in past gerrymandered legislatures and regard the creation of the new cross-border council as the feature that most furthers their long-term goal of unity with the Republic of Ireland.

Perhaps the greatest contributor to uncertainty about the future is the question of disarmament. For years, it was put forward as a precondition for starting talks, and parties like Sinn Féin could not gain entry to negotiations.

Under Prime Minister Tony Blair, disarmament, or "decommissioning" as it is called in the parlance of the talks, was assigned to a parallel panel, and the talks went forward with participation of political parties with links to paramilitary groups that still held their arms.

In the past two weeks, Mr. Blair came to Northern Ireland twice to shore up the flagging "yes" campaign and promised vaguely that he would see to it that groups wanting representation in the new assembly begin the process of disarmament before taking their seats.

The power-sharing formula to be used to elect members to the assembly guarantees at least one position and probably two in the 10-person leadership of the new assembly to Sinn Féin. Its leader, Gerry Adams, was pressed Sunday in television interviews to declare himself on the issue.

"When will it happen?" he said. "I don't know. But I can tell you this, and I can tell those Unionists who voted 'yes' that we intend to keep our commitments and we intend to do our best to create a new democracy on this island with all the guns, all of the conflict, all of the atrocity, all of the semblance of violence removed and a normal society functioning on this island."

GYPSIES: 2 Czech Cities Will Wall Off 'Problematic' Residents in a De Facto Ghetto

Continued from Page 1

Dostal said. In World War II, about 77,000 Jewish Czechs were deported by the occupying Nazis and killed in the death camps. Nearly all of the country's Roma population of 8,000 were also deported by the Nazis and all but 600 died in the camps.

"This is pure racist segregation," Dimitrina Petrova, executive director of the European Roma Rights Center in Budapest, said. "It's incredible. It's totally unacceptable in a civilized democracy."

"We have noticed for some time that the Czech Republic seems to be the champion of racism against Roma," she added.

Most of the estimated 300,000 Gypsies in the Czech Republic today (out of a population of 10.3 million) arrived from Slovakia after World War II. They live in grinding poverty, trapped in a vicious circle of poor education, teenage pregnancy, unemployment,

petty crime and alcoholism. In scenes reminiscent of the segregation-era South of the United States, the Roma, who tend to be darker-skinned than most Czechs, are often denied work, housing or social benefits simply because of their skin color.

Roma children are routinely shunted to schools for the learning disabled, and Roma are regularly harassed by the police and often physically attacked by groups of skinheads. In the latest incident, a Czech Roma died two weeks ago after he was beaten by skinheads, then run over by a passing truck as he lay unconscious in the street.

In Usti, the non-Gypsy residents of Matichon Street say they are not racist, they just want to be left alone.

Hana Chladkova, a 27-year-old insurance clerk, says the wall was her idea. She says she just wants to sleep at night and let her 3-year-old son, Petr, play in peace. Instead, she says, the oozy neighbors, the garbage strewn around their

apartment block and the rats that come with it are too much.

"A barrier will be more aesthetic and it will keep out the ooze, the dirt and the stink," Mrs. Chladkova said. "They throw garbage out their windows, they piss from the balconies."

A neighbor, Alois Kaplan, showed a reporter a videotape he had made of the Matichon housing project in March. The yard and street were littered with trash and a pile of garbage about a meter high and several meters long lay moldering next to an abandoned apartment block.

The street's Roma residents blame the city for their problems. Several said they were illegally resettled there, and they say the city fails to offer the services, from hot water to garbage pickup, that they pay for.

Gizela Kulenikova, a 36-year-old Roma woman, raises four children and cares for her disabled boyfriend, Jozef Lacko, in a two-room apartment that has no heat or hot water, no shower or

bathtub. "We are free people in a free country and they want to treat us like Red Indians in the United States," she said.

Jan Kocourek, the deputy mayor of the Usti district that includes Matichon Street, defended the plan to build a wall.

"These people have a different way of living, from afternoon until late at night, and they create noise," Mr. Kocourek said.

Asked if fencing the Gypsies into what is effectively a ghetto might be a violation of their civil rights, Mr. Kocourek erupted in anger.

"Rights? Are you serious? What civil rights?" he said. "They can vote, but they don't. They can work, but they don't. They can pay rent, but they don't."

Asked if city hall had consulted with the residents of Matichon before deciding on the wall, he turned to a reporter and shouted: "You're an American. Did you ask the Red Indians when you put them on reservations?"

REFORMS: Indonesia Awaits Plan, Dissidents' Release and, Maybe This Year, Elections

Continued from Page 1

Mr. Rais said he thought that Mr. Habibie understood "the aspirations of the people" for change, and would have confidence by such measures as containing inflation, stabilizing the rupiah and releasing political prisoners.

Mr. Rais, head of the Muhammadiyah Islamic movement, which says it has 28 million members of a total population of 200 million, has said he would be a candidate in any new ballot. Mr. Rais said Mr. Habibie had not said if he would be a candidate for president.

When Mr. Suharto stepped down and appointed Mr. Habibie, then his vice president, to replace him, he said that the new leader should serve out the rest of his five-year term, until 2003.

But opposition groups have said Mr. Habibie should serve no more than one year before holding parliamentary elections, which would pave the way for a democratically elected president.

There was no immediate confirmation from the presidential palace of Mr. Rais's account.

But a senior aide to Mr. Habibie said

earlier that the president would "support all the demands for reforms in the political arena, such as changing election laws to prepare for a more democratic system, laws limiting political parties and other laws that are considered undemocratic."

The aide, Dewi Fortuna Anwar, said Mr. Habibie "is not merely a shadow of Suharto."

"Knowing him personally," she said, "I can say that he is very different from his predecessor in terms of cultural background — he is non-Javanese — and education. He spent the best part of 20 years in Germany. So I think he will turn out to be a very different president from what people expect."

Miss Anwar said she expected to see an early release of political detainees by the government as part of a program to prove its political reform credentials and satisfy public demands for an easing of long-standing authoritarian controls.

Among those likely to be freed are the labor leader Mochtar Pakpahan and the political dissident Sri Bintang Pamungkas, who are among about 200 Communist detainees imprisoned during Mr. Suharto's presidency. Mr. Suharto was forced to resign after a wave of

student-led protests and social unrest brought Indonesia to the brink of anarchy and economic collapse.

Indonesia desperately needs emergency foreign loans and renewed private investment to strengthen the rupiah, contain inflation and get its heavily indebted companies working again to prevent catastrophic mass unemployment and social upheaval.

But the International Monetary Fund, under pressure from the United States and other key Western contributors, has suspended further payments from a \$43 billion rescue package until the new government shows its commitment to reform and the political situation stabilizes.

"In order for an economic program to work, you've got to have political conditions that will allow it to work," Treasury Secretary Robert Rubin said Saturday at a meeting of Pacific Rim finance ministers in Alberta, Canada.

The IMF — which evacuated its staff from Jakarta during the outbreak of riots, looting and arson — is sending its Asia division head, Hubert Neiss, to the capital this week to assess the situation and meet with Giandjar Kartasasmita, who was reappointed by Mr. Habibie as min-

ister for economy, finance and industry, the post he held in Mr. Suharto's last cabinet.

Mr. Giandjar said shortly after the new cabinet was sworn in Saturday that it was "imperative" to hold elections for a government with a popular mandate to buttress economic reforms.

Analysts said the remarks reflected Mr. Giandjar's priority on unfreezing the IMF loan package quickly, as well as his own political ambitions as a possible successor to Mr. Habibie.

"Giandjar is ambitious," a senior Western diplomat said Sunday. "If he can push political reform and at least improve the economy, he is going to be very strong."

In another sign of the new government's anxiety to show it is breaking with the past practices of nepotism, corruption and collusion that helped bring about Mr. Suharto's downfall, one of Mr. Habibie's brothers resigned Sunday as head of a major industrial development park linked to the government.

Junus Effendi Habibie said that he had decided to resign "of my own free will" to help the government "wipe out nepotism in its administration."

IRAN: Openness Is Cheered a Year Into Khatami's Term, but Hard-Liners Fight Back

Continued from Page 1

1979 Islamic revolution. Others believe it is not moving quickly enough.

"We believe that Mr. Khatami needs to do more," said Majid Farahani, 25, a student leader, "and the only way to do that is to be more honest with the people about the obstacles he is facing. Otherwise he might fail, because the only power he has behind him is the 20 million people who supported him during the election."

Among recent signs of tension has been a warning reportedly issued by the chief of the Revolutionary Guards, the country's most powerful military force. The general, Rahim Safavi, has been quoted as telling fellow military leaders that the course adopted by the government poses a threat to national security, and that the military should act "to uproot the counterrevolutionaries, wherever they are."

Diplomats and analysts say those remarks betray the unease that has continued to reverberate here since Mr. Khatami's victory on May 23, 1997, even though he won 70 percent of the vote against a candidate supported by the religious establishment.

In recent days, conservative groups mobilized to counter the preparations for the weekend celebration by trying to focus on another anniversary. Sunday marked the day 16 years ago when Iran won perhaps its highest victory in the 1980-1988 war with Iraq.

Since he formally assumed power in August, Mr. Khatami, 54, has eased press restrictions, creating a climate of freer political expression than at any time in at least 15 years. Even Ayatollah Khamenei, 58, the remote figure who succeeded Ayatollah Ruhollah Khomeini in 1989, has begun to emulate Mr. Khatami's more populist approach. He arrived unannounced at a recent meeting of students to engage in a discussion later broadcast on television.

But Mr. Khatami's influence remains limited. The government's most important powers, including the military and security forces, are in the hands of Ayatollah Khamenei, who is regarded under the constitution as God's representative on earth. Other powers are jealously guarded by the legislature and the judiciary, which, like Ayatollah Khamenei's office, remain under tight conservative control.

So Mr. Khatami, a more moderate cleric, has kept a low profile whenever disagreements have turned contentious. He has issued warnings against anyone inclined to take new liberties to extremes. This seems to emphasize his concern that tensions between rival factions, expressed nearly every day in the press, could spill over into street clashes.

"He's worried that some groups, from all the factions, might be going a little too far," said a former Khatami campaign spokesman who is now a deputy minister of culture and Islamic guidance. Last month Mr. Khatami weathered the most

serious crisis since his election, a dispute involving the mayor of Tehran, who was jailed on charges of corruption. The government quickly condemned the arrest, but the president issued no statement. Instead, he worked behind the scenes, persuading his supporters to cancel a protest while persuading Ayatollah Khamenei to order the mayor's release.

The mayor, Gholam-Hossein Karbaschi, an ally of Mr. Khatami's, is back at work after 11 days in jail. By all appearances he is seeking to avoid further controversy, and there has been no indication whether he might face trial.

In the meantime, however, the legislature, led by Ali Akbar Nateq-Nouri, the speaker of Parliament and the candidate Mr. Khatami defeated, has begun to try to exert more power. It is weighing legislation that the government would have no power to revoke. One bill, already approved in preliminary form, would prohibit publication of photographs of women, even veiled, and of articles judged sexually inflammatory. Another would require segregation of hospitals by sex.

Mr. Khatami's government opposes both measures. But its voice has not been loud enough to satisfy those who hope to distance Iran further from the restrictions put into place after the 1979 revolution. "We voted for Khatami," said Mohammed Khosravi, 18, who took part in the rally Saturday. "But they're not allowing him to do anything."

BusinessWeek

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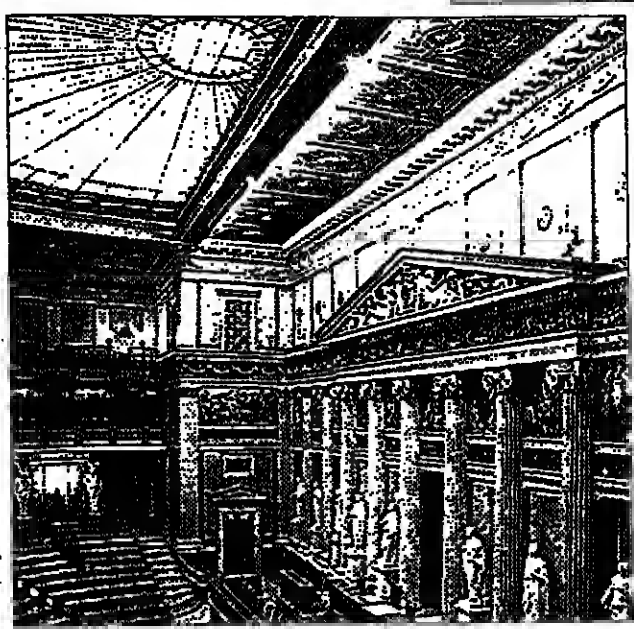
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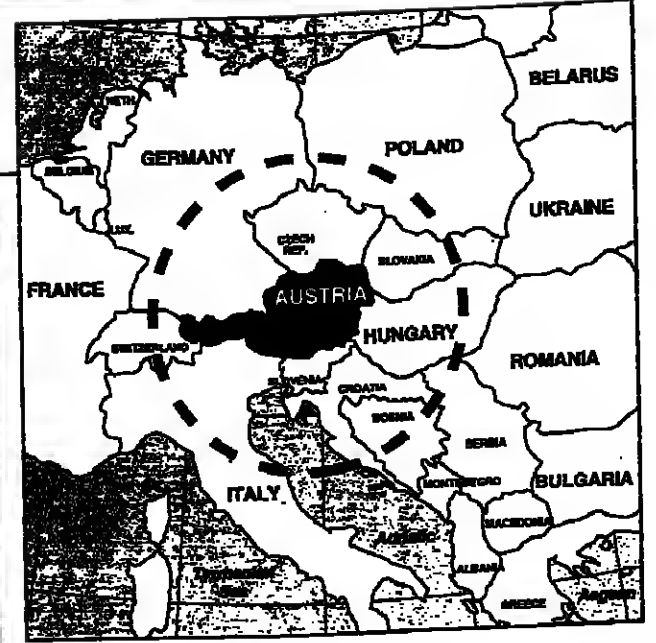
SPONSORED SECTION

INVESTING IN AUSTRIA

During Austria's EU presidency, beginning July 1, ministerial meetings will take place by day, while many cultural events — open to delegates and tourists alike — will lighten up the evenings. Austria is cementing its relationships with other EU members, yet it also has extensive links with the Central and Eastern European countries.



Above and right: the city of Vienna; Austria flies the EU flag alongside its own.



WORLD OF FINANCE: EURO & ELECTRONIC MARKET LINKS

The stock exchange looks toward the CEE region.

The Vienna Stock Exchange recently made one of the most fateful moves in its 226-year history. It entered into a "strategic alliance" with Deutsche Börse AG, the holding company for the Frankfurt Stock Exchange (accounting for 80 percent of Germany's transactions in shares and securities), the Deutsche Terminbörse (the country's futures exchange) and other trading and technical bodies.

The key stipulation of the alliance is that the VSE's issues be traded via XETRA starting in July 1999. Short for "Exchange Electronic Trading," XETRA was set up by Deutsche Börse in November 1997. It integrates all phases of the purchasing and processing of stocks and securities into a single electronic system.

Many financial analysts contend that the move is good for the companies listed on the VSE and even better for Austria's banks and shareholders, but possibly bad for the exchange itself.

Increased access
The thinking is that the Austrian companies get access to vastly greater amounts of liquidity, increasing their ability to raise capital. The expansion of XETRA will allow Austria's financial institutions, led by the powerful Bank Austria, to enter Germany's highly lucrative market for initial offerings and rights issues — hitherto the jealously guarded preserve of Deutsche Bank et al.

Based on the German experience, XETRA's advent in Austria will result in a 50 percent drop in the costs of conducting a share-related transaction.

"A hollowing out of the exchange" is how one Viennese daily described the deal, adding that XETRA will turn the VSE's building into an "empty shell."

Continued on page 11

LOOKING AHEAD TO HOSTING THE EU PRESIDENCY

A full-fledged member of the new currency group, Austria prepares to serve the interests of all European Union members.

After decades of hard work and years of financial sacrifice, Austrians were rewarded last month by seeing their country accepted as one of the members of the Economic and Monetary Union (EMU) under the Treaty of Maastricht criteria. EMU will introduce the euro as its common currency on January 1, 1999.

Before any euro euphoria sets in, much remains to be done. For the first time since joining the European Union, in 1995, Austria will be president of the EU from July 1 to December 31, 1998. This involves, among many other responsibilities, organizing within six months 11 EU ministerial meetings and more than 100 official consultations in Austria, as well as hosting (in December) a full European Council in Vienna, to be attended by heads of state from all member

countries. Austrian Chancellor Viktor Klima says that the presidency will be used to demonstrate the country's determination to serve the European Union as a whole.

Accolades
The facts speak for themselves. Even before the announcement that Austria had been accepted as a first-round EMU participant, the country earned accolades for its skillful compliance with the Maastricht criteria for membership. The Organization for Economic Cooperation and Development, in its latest Economic Survey (published April 23, 1998) praises Austria for implementing the country's largest-ever fiscal stabilization program. "Inflation (at 1 percent per annum) and interest rates are low, the budget deficit under control and international competitiveness sound," says the

OECD in its assessment. Even unemployment — a major concern, with the EU average at around 10.3 percent — remains at a manageable 4.5 percent in Austria.

The OECD thinks GDP growth (currently at 2.7 percent) should increase in 1999, to 2.9 percent, because fundamental factors — competitiveness, low inflation and international integration — are all expected to remain favorable. The organization, however, recommends that the rate of deficit reduction be increased and the pace of structural reform improved (e.g., more flexible working conditions, some changes in tax laws).

Overriding advantages
Austrians are on the whole convinced that EMU membership will have overriding advantages. Minister of Finance Rudolf Edlinger be-

lieves the euro will bring medium-term growth and increased employment. He warns, however, that a complex situation will have to be mastered. On the one hand — since the Austrian schilling has been very closely tied to the Deutsche mark for nearly 20 years — EMU represents a far less dramatic intrusion into Austria's economic policies than for those countries that, until recently, have had fluctuating currencies. On the other hand, there is an urgent need to harmonize fiscal policies, on taxes, for example, so that no country is unduly handicapped.

Little time remains for formulating long-term policy. Even before Austria's EU presidency begins, Mr. Edlinger will be chairing a meeting of the ECOFIN (Economic and Finance Ministers) Council on June 5 in Luxembourg, where a de-



Chancellor Viktor Klima

will have to harmonize its taxes with those of other EU countries.

David Herziges

FOREIGN FIRMS GRAVITATE TO R&D

Telecommunications, electronics, chemicals and pharmaceuticals are leading the way.

Austrian research and development presents a curious situation. Both public- and private-sector leaders would like to see the sector grow, but not enough effort has been made to ensure that essential funding is provided and distributed. The result is an overall Austrian commitment of only 1.5 percent of GDP to R&D, compared with more than double that figure in OECD countries as a whole.

The government is willing to make 2 billion schillings (\$160.37 million) a year available in the annual budget. Dispersal of the money is hampered, however, by the fact that three different coalition ministries are involved. Hannes Farnleitner, the minister of

economic affairs, would like to see a coordinating body created in the form of a joint Scientific Council.

A more pragmatic approach is sought by Lorenz Fritz (former CEO of Alcatel), the secretary-general of the Austrian Industrialists' Association.

"Austria simply must catch up swiftly in research and development," he says. "Otherwise, there is no chance for keeping up economically. We need new, leaner interfaces with the ministerial structure, and we must be prepared to help create them."

At the moment, the largest commitment to applied R&D comes from abroad. Of the 19 billion schillings invested last year in this sector, 65 percent was accounted for by

130 foreign companies operating in Austria. They work primarily in telecommunications, electronics, pharmaceuticals and chemicals, all fields in which Austria is eager to build industrial clusters.

Headline innovations
Among the domestically generated innovative success stories that have made international headlines recently are the achievements of VA Tech, a technology-based engineering group based in Linz, Upper Austria that operates globally. VA Tech's COREX coal-based iron ore reduction process has been followed up by FINMET, which uses a gas-fired plant that is even more environmentally friendly. The process will soon be in-

troduced in Port Hedland, Western Australia.

Of relevance to millions of travelers are the Frequentis voice switching systems developed for, among others, Europe's largest and most ambitious air traffic control project, the UK Civil Aviation Authority in Swinwick, and the Deutsche Flugsicherung in Germany. Fire departments, police and other emergency workers also use the systems under "red alert" conditions.

Major pharmaceutical firms such as Merck, Bristol-Myers Squibb, Glaxo Wellcome, SmithKline Beecham and Pfizer all use, or will soon be using, an automatic laboratory device made in Austria. ROBOLAB, made by the Vienna company Robocoon, makes possible round-the-clock operation of what is known as High Throughput Drug Screening (HTS) to detect active agents and compare them at the rate of 50,000 a day with known and listed substances.

For economists, some of the most highly prized publications to come out of Austria are those issued by the Vienna Institute for International Economic Studies (WIIW), a leading research institute specializing in the countries of the former communist bloc and their transition to the free market. The latest report, "Structural Developments in Central and Eastern European Countries," presents a detailed analysis of industrial, trade and foreign direct investment developments on a comparative basis with Western European countries using unique WIIW databases.

D.H.



Austria is eager to build research and business clusters in the prominent R&D sectors.

Bank Austria

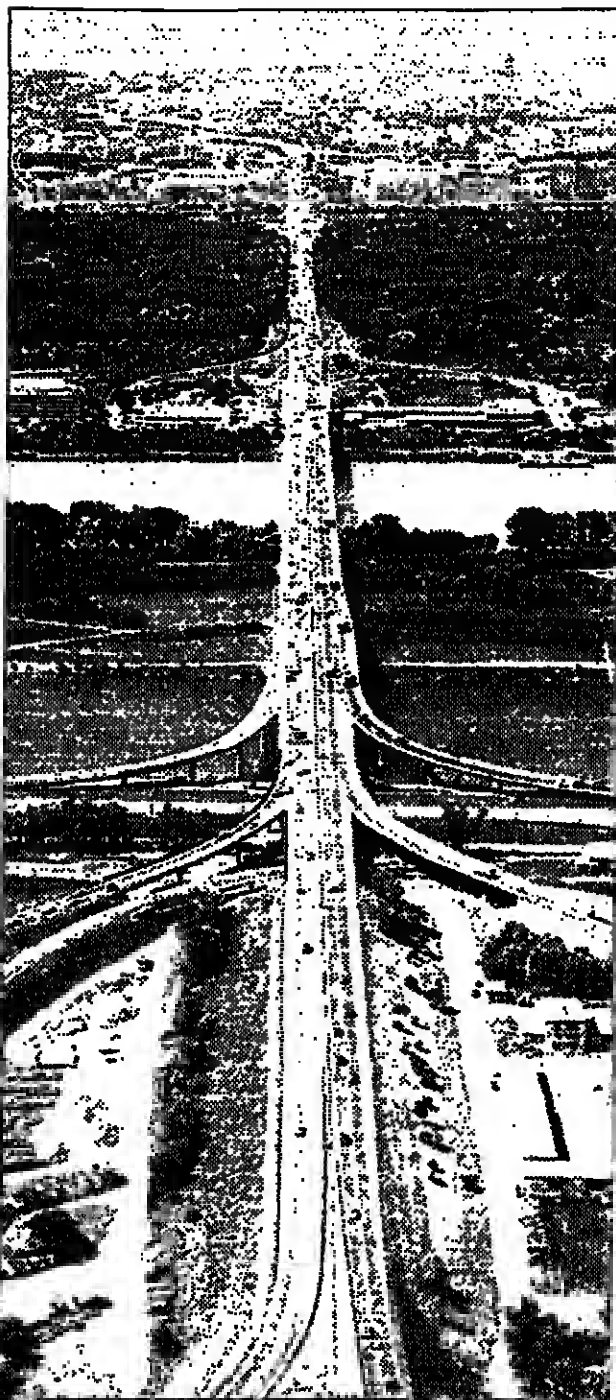
С ВЕДУЩИМ В ВОСТОЧНОЙ ЕВРОПЕ

АВСТРИЙСКИМ

БАНКОМ ВЫ СМОЖЕТЕ ЧИТАТЬ

МЕЖДУ СТРОК

INVESTING IN AUSTRIA



A three-pronged strategy is in place to reduce highway traffic.

TRANSPORT EXPANSION HEEDS THE ENVIRONMENTAL NEEDS

The highways are overused, while the Danube is underused.

Austria's economic prospects have not been this good in a long time. The normalization of relations with the neighboring "reform" countries — the Czech Republic, Hungary, Slovakia and Slovenia — has yielded stronger bilateral ties with potentially potent business partners than have existed perhaps at any time since the dying days of the Austro-Hungarian monarchy.

For the most part, the stage for cooperation has been set, but a few hurdles remain. One example is the hour-long border-crossing procedures, which can cause even longer-lasting irritation.

Infrastructure is at the center of public discussion. The problem is traffic — in Austria itself and abroad. Long-term solutions, adequate financing and speedy execution are essential.

The Austrian railway system creaks and groans along various routes, many of them conceived 150 years ago. The highways, which were considered marvelous in the 1950s and 1960s, are now inadequate. Airport expansion can barely keep pace with exploding passenger numbers.

In order to keep ahead of demand and to promote environmentally acceptable conditions, Austria has plunged into the European

Union's Trans-European Networks (TEN) traffic-planning program. The country is also cooperating fully with the associated TINA (Traffic Infrastructure Needs Assessment) scheme, which takes in the even-larger Eastern European area as well as the Baltic States and South-Central Europe. This is a unique historical opportunity for Austria to broaden its emphasis from medium-term trans-European to long-term pan-European.

Austria finds itself, in this respect, on the horns of a dilemma. On the one hand, it cannot risk being sidetracked from the major north-south and west-east transit routes. On the other, it refuses to accept the ecologically disastrous burden of unlimited freight traffic on its roads. Accordingly, a three-pronged strategy is being pursued.

Inducements are being offered to road freighters to piggyback their trucks on railway flats through Austria (where the highways and mountain passes are, in any case, subject to heavy tolls).

Railway routes are being upgraded to high-performance lines (as opposed to high-speed lines, which are virtually impossible in the alpine terrain). And increasing attention is being devoted to the underused Danube River for transporting bulk goods, containers and motor-vehicle consignments.

At last count, the ratio of freight transiting Austria by road, rail and river was 120:30:1. Ideally this would be changed, say, to 70:60:20.

Meanwhile, prospects for easing the pressure on existing air-traffic facilities look dim. Tentative plans for the Vienna International Airport (VIE) to cooperate with Bratislava Airport (barely 25 miles away, just over the border in Slovakia) have collapsed. With an anticipated 2.5 times increase in the number of passengers using VIE by the year 2015, construction of another terminal and a third runway at an estimated cost of 30,000 million Austrian schillings (\$2.4 million) is under urgent consideration.

D.H.

AUSTRIA AND THE CEE REGION: AN IMPORTANT RELATIONSHIP

In 1997, Austria's exports to the CEE region rose by more than 30 percent. The area now accounts for 17 percent of Austria's total exports, and the figure is expected to rise by more than three percentage points in 1998. Ten percent of the CEE region's trade is with Austria.

Austrian companies have invested \$3.2 billion (as of March 1998) in the CEE region. That places Austria fifth among the world's countries investing in the area. On a per capita basis, however, Austria and Switzerland tie for first.

T.S.

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BANK CHIEF IS BULLISH ON THE MARKETS

Gerhard Randa has been chairman of the board and chief executive officer of Bank Austria AG, Austria's largest bank, since 1995. Mr. Randa earned an MBA in 1966. Four years earlier, he began his career in banking, climbing the ladder in Austria's savings bank organizations and at Creditanstalt. In the following interview, he discusses the country's financial landscape.

In Austria's case. Rather than a single "killer" reason to invest, our country offers an exemplary breadth of business assets, including its low rate of insolvencies and strikes, and its high degree of political stability.

What effect has the strong U.S. dollar had on the Austrian economy?

The bulk of the foreign investment flowing into Austria stems from European Union member countries. For that reason, the appreciation of the dollar hasn't had much impact on our country's investment figures. The strength of the dollar has, however, positively affected the balance sheets of the U.S.-owned companies in Austria. By relatively reducing their operating costs, the appreciation has given the companies a strong reason to reinvest here.

Where is the real estate market headed?

Investment from abroad has positively affected Austria's real estate market, and especially in such areas as Vienna, whose rise in property value has partially stemmed from foreign demand. Conditions on our country's property market are positive, and they are likely to stay that way in the foreseeable future.

Interview by Terry Swartzberg

What is the future of the Vienna Stock Exchange, whose trading operations will be carried out via XETRA, the Frankfurt-based electronic system?

The Vienna Stock Exchange is assured of retaining its operating independence in the years to come. This is because the product domain will remain the province of the VSE. XETRA will provide Bank Austria's customers with direct, low-priced access to the products traded on various stock exchanges. And the introduction of XETRA will benefit the bank itself. Thanks to it, we'll be able to conduct our proprietary business more efficiently. We'll have a better sense of the market, and we'll be able to reach new customers.

Why do you think Austria is sought after by international investors?

Investments are always made for a mix of reasons. This has been especially true

THE WORLD OF FINANCE

Continued from page 1

Hannes Farnleitner, minister of economic affairs, takes exception to this "heaven and hell" scenario: "The move allows the VSE to fulfill the objective it has set for itself: to increase, on a sustained basis, the amount of liquidity available to our companies. Rather than stripping the VSE of its raison d'être, the move actually ensures that the exchange will survive. A stand-alone solution is simply not in the cards for an exchange of the VSE's size in today's rapidly changing stock market scene."

Mr. Farnleitner adds: "The cost- and time-efficiencies resulting from the extending of XETRA to the VSE will benefit the exchange in two ways. First, it will make it easier to introduce and distribute Austrian-developed capital market products. Second, it will facilitate the exchange's opening to the Central and Eastern European region, which is being jointly carried out with Deutsche Börse."

New exchange

This opening has already taken concrete form. A new "Eastern European Exchange" will start up in the spring of 1999 in Vienna. Listed on it will be 82 companies, all of them from the CEE region and all coming from the Frankfurt Stock Exchange, where they are currently being traded.

The announcement of the link with Frankfurt set off a wave of buying on the VSE.

This rise has helped the exchange make up ground lost to Europe's other exchanges. The exchange's ATX average is currently running about 60 percent above that of January 1, 1996. That's less than half the increases recorded by Frankfurt and Amsterdam, and only one-third that of Madrid.

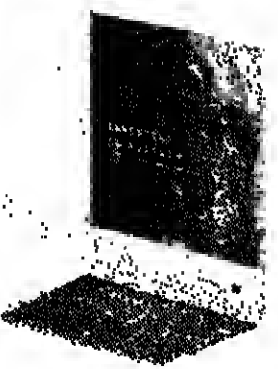
The VSE's sluggishness has its bright side, however, as analysts point out. The exchange's P/E (price/earnings) ratios are low by today's standards. This will become graphically apparent when all quotes are converted from schillings to euros at the end of the year.

Mr. Farnleitner finds the pending conversion to be a further reason for optimism: "A new electronic trading system, a new Eastern European exchange, a new currency and a new strategic partner — it all adds up to a new look financial sector."

T.S.

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INVESTING IN AUSTRIA

A guideline prepared by Preslmayr & Partners and Auditor.

Second, completely revised edition (Nov. 1996).

Introduces potential foreign investors to the Austrian legal and tax system and offers an overview on the law as relevant for foreign investors already active in Austria.

INVESTING IN AUSTRIA

INVESTMENT BOOSTS THE REAL ESTATE MARKET

Some 12,000 companies, most in the high-tech or service sector, were founded last year; a similar number is expected in 1998.

It was a record year for domestic investment in Austria. In 1997, 24.1 percent of the country's GDP went to capital goods. That was the highest percentage in recent history. These investments amounted to 608 billion schillings (\$48.75 billion), 3.6 percent (after allowing for inflation) more than in 1996.

The figure is even more impressive because all of the gain came from allocations for industrial equipment, facilities and the like. The 7 percent increase in funds allocated to "production goods" offset the building sector's weakness. Last year, the country's investments in new buildings and in extensions stayed at the 1996 level.

The propensity for industrial investment has strongly and positively affected the country's productivity. Already one of Austria's major success stories, productivity continued to rise in 1997 at the 5 percent annual pace maintained throughout the 1990s, according to Hannes Farnleitner, the country's minister of economic affairs. Coupled with the strength of the dollar, the rise in productivity in turn caused Austria's relative unitized labor costs—the figure expressing the amount of wages needed to produce a single unit of output vis-à-vis other countries—to stage a record 8 percent drop in 1997.

With 1998 forecast to bring a further fall of 2 percent, this reduction in Austrian industry's operating costs explains why the country was so successful on the world's markets in 1997, a year in which exports rose 8 percent. Large increases are

also forecast for this year.

The year also brought \$1.7 billion in inward investment. This came on the heels of \$3.4 billion in 1996, itself an all-time record.

Was the surge in investment in Austria's manufacturing sector triggered by the large-scale drop in operating costs?

"Yes, and by our country's relatively low rate of insolvency," says Mr. Farnleitner. "These fundamentals, in turn, are products of the restructurings carried out by the country's companies. Thanks to the fundamentals, companies investing in Austria have a very good chance of making money—and of protecting their capital."

"Of course, the perception that Austria has business opportunities to offer also stems from the political and legal conditions long prevailing in our country, notably our ability to formulate pro-business policies and to adhere to them, and the absolute rule of law existing in Austria."

As Mr. Farnleitner notes, a number of other factors have attracted investment to Austria, including the quality of the country's workforce. Another is the Central and Eastern European bonus.

The question now is how the European Union's expansion eastward will affect Austria. A study conducted by Austria's Raiffeisen Zentralbank predicts that the expansion will increase Austria's economic output by between 1.5 percent and 3.6 percent during the first six to eight years after the CEE countries' accession to the EU.

Well aware of these figures, foreign companies are flocking to Austria in hopes of

participating in the upswing.

Günther Robol, senior partner at the Vienna-based GPT Price Waterhouse, believes that international investors are enthusiastic about Austria because "our country is small and thus highly comprehensible. Our assets are qualitative and not quantitative in nature, and thus easily and immediately perceptible."

Inward investment

A major change occurred in Austria's inward investment scene last year—the country's media and general public paid scant attention to foreign takeovers of local companies. This was in stark contrast to the previous few years, in which such acquisitions routinely triggered dark visions of the end of local control in Austria's business community.

Why the change?

"Over the last few years," says Martin Preslmayr, a partner in the Vienna-based law firm of the same name, "we Austrians have gotten used to such transactions taking place, and we've grown better acquainted with the globalized economy, in which cross-border mergers and acquisitions are extremely common."

Mr. Preslmayr's firm is one of Austria's leaders in arranging this type of transaction. "Our country's residents and media have had ample opportunity to see that these takeovers are, viewed collectively, followed by a wave of further investment and job creation," he adds.

Austria's real estate market has moved from strength to strength over the past few years. According to the federal office of statistics, the

real estate sector (also comprising equipment leasing and other business-to-business services) had a 123 billion schilling turnover last year, 2.5 percent (after allowing for inflation) more than in 1996 and 10 percent above the 1994 figure.

A primary source of this strength is foreigners' interest in buying prime real estate in Vienna's center. Real estate prices are relatively low by international standards.

Non-Austrian financial institutions and developers have often competed head to head for plots of land and have completed buildings in downtown Vienna. Their willingness to pay top schilling has rippled through the country's entire real estate market. Furthermore, Austrian real estate has remained remarkably steady in terms of value, allowing it to avoid the booms and busts endemic to some other markets.

The entire Vienna region, also comprising the surrounding province of Lower Austria, has been the object of international real estate investment. Domestic demand has also been strong, particularly for "starter" properties—well-equipped offices of between 100 and 1,000 square meters (1,076 to 10,764 square feet). The success of the real estate market itself reflects the underlying strength of the Austrian economy.

Some 500 Austrian companies specialize in trading with and investing in Central and Eastern Europe, according to the Austrian Chamber of Commerce. The vast majority of these are located in the Vienna region, along with a further 700 foreign-owned, CEE-minded ones. This thousand-strong contingent is battering on the 25 percent-plus rise in the volume of Austria's trade with the CEE region last year, and on the large-scale eastward flow of capital.

In 1997, two-thirds of Austria's international investment of 10.3 billion schillings went to the CEE region, bringing the total since 1990 to more than 48 billion schillings.

In addition to founding and funding operations in the CEE region, Austrian companies have also entered into 15,000 joint ventures in the region.

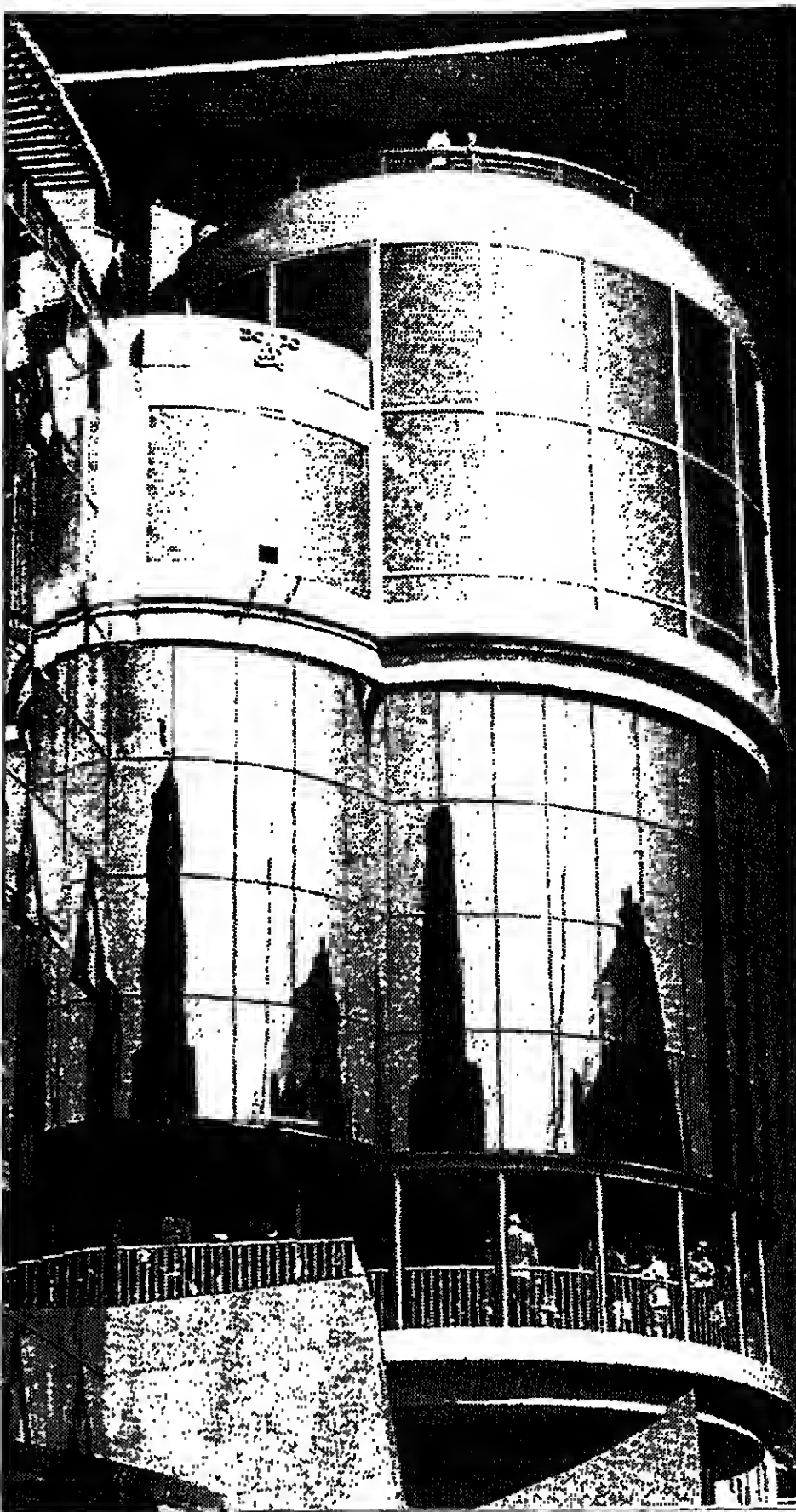
The Vienna area's fast-growing CEE specialists constitute a major force on Austria's real estate market. They cluster in the shiny developments in Vienna and are spreading out into its hinterlands. Also located in the developments are many of the country's new companies.

Mr. Farnleitner estimates that 12,000 companies were founded in Austria in 1997, with a similar number expected in 1998. Generally active in the high-tech and/or service sectors, these companies constitute a major source of fresh demand for office space.

Speedy approval
Also spurring demand for Austrian real estate is the fact that official approval for new projects is now faster and easier. Lower Austria, for example, normally processes investors' plans within three months. In one case, the paperwork was done within 24 hours, reports Eco Plus, the regional development corporation of Lower Austria.

"That must be a European record," says Theodor Krendelsberger, the corporation's CEO.

Speedy approval has convinced a number of major companies to set up production, distribution and logistics facilities in the state. Many are in the automotive sector, including Volvo, which recently started operations in the new Eco Plus industrial park, located in the city of Bruck/Leitha. (For more information, call Friedrich Schmidt at [43 1] 513 78 500.) T.S.



The Hase-Haus by architect Hans Hollein, built in 1990, faces St. Stephen's Cathedral in Vienna.

"INVESTING IN AUSTRIA" was produced in its entirety by the Advertising Department of the International Herald Tribune. It was sponsored by the Vienna Business Agency and the display advertisers. Writers: David Herzig, based in Vienna, and Terry Swartzberg, based in Munich. PROGRAM DIRECTOR: Bill Mahler.

Multinationals Flock to the Capital

For the Austrian Business Agency, 1997 was a year of great growth, producing record totals. Last year, the country's business development agency realized 62 projects, to the tune of 2.6 billion schillings (\$208.52 million) in investment, creating 2,392 jobs in the process. The 1997 figures were five times higher than the agency's long-term averages.

The ABA's services include providing all the information that companies require to set up production, distribution, logistics or research facilities in Austria, or to enter into joint ventures or make acquisitions; establishing links between the international business community and local authorities and other providers of investment incentives; and the hands-on facilitating of investment projects of all kinds.

Did the record-breaking figures result from the stepping up of ABA's activities, or were they a product of investor interest in conducting business in Austria?

"Both," says René Siegl, the ABA's CEO. "Over the last year and a half, we have greatly expanded our outreach to the world's business community, which, at the same time, is showing an ever greater propensity for conducting business in Austria and, specifically, in Vienna."

Why Vienna? "Because it's a gateway to

Central and Eastern Europe," says Mr. Siegl.

There is, of course, nothing new about companies setting up headquarters for the CEE region in Vienna. Over the last decade, hundreds of international companies have streamed into the city; these companies now number approximately 1,000. And nearly all have come for the same reasons: Vienna's geographic and cultural proximity to Central and Eastern Europe, plus the city's excellent telecoms and other infrastructure and its quality of life.

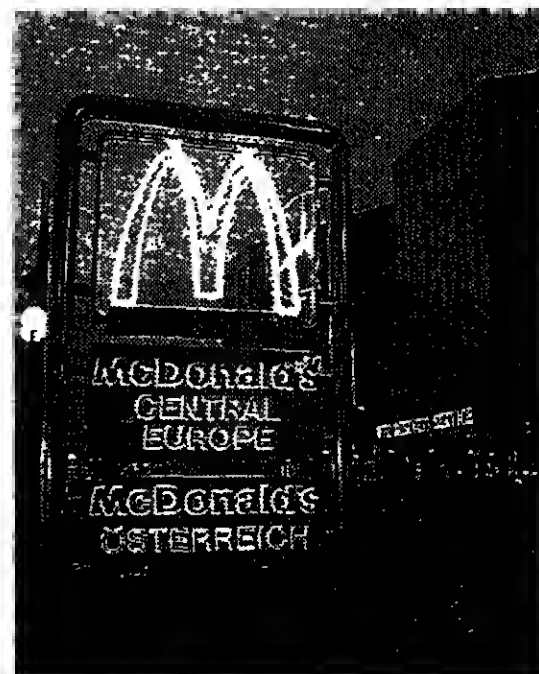
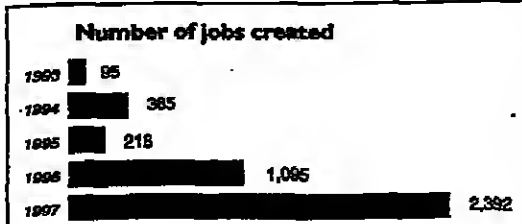
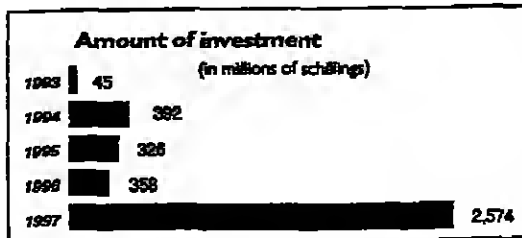
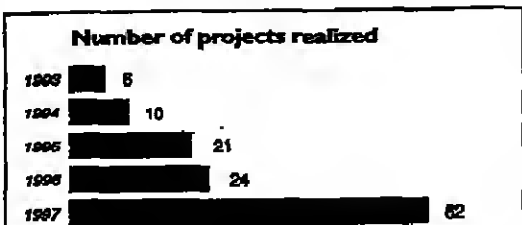
As Mr. Siegl explains, Austria has other

advantages. Though close to the CEE region, the country is "neutral territory." Companies operating from Austria avoid identification with any particular CEE country's interests. Austria's banks, lawyers and other service providers are other key assets, since their long years of operations in the CEE region have given them a well-developed stock of expertise.

Why, then, the continuing and growing popularity of Vienna with the international business community?

"Because setting up a regional headquarters today involves a lot more than choosing a nice office building and hiring a number of well-mannered people to sit in it," says Mr. Siegl. "Today's headquarters are nimble task forces, forming full-fledged units in the worldwide networks maintained by multinational companies. These headquarters are responsible for dispatching and processing information and conducting transnational transactions. Accordingly, these facilities are staffed by programmers, experts in international trading regulations, transnational logisticians and many other kinds of specialists. And that's Vienna's trump—the large number of special-skills personnel working in our city or graduating from Austria's universities."

The influx of international companies



The home of headquarters: McDonald's is just one of many multinationals that have located headquarters for Central and Eastern Europe in Vienna.

shows no sign of abating. Over the last six months, Coca-Cola Amatil, Eli Lilly, Informix, Outokumpu (the Finnish metals processor), Winterthur Insurance and Banque Nationale de Paris/Dresdner Bank have set up regional headquarters for the CEE region in Vienna.

"The year's definitely off to a great start," says Mr. Siegl.

For more information, please contact:

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Fax: (43 1) 586 86 59
Internet: www.aba.gv.at
e-mail: austrian.business@telecom.at

INVESTING IN AUSTRIA: VIENNA

PERFORMING ARTS ARE ALSO AT THE SUMMIT

This summer, there's more to the capital than high-tech, high-finance conferences: opera, film and dance, for starters.

No matter when you visit Vienna, something fun is always happening on the historic squares of the city center. They are the venues for a four-season round robin of ethnic culture and food festivals, New Year's celebrations, outdoor skating, open-air cinema and much more.

This profusion of pleasures is anything but happenstance. Rather, it is the product of far-sighted municipal policies. The premise is simple and compelling: make Vienna a fun place, and the whole world will keep on coming to the city.

The municipal government drew on a number of formidable assets — including the city's parks, baroque mansions and more — to create its year-round succession of urban events. As the latest tourism and investment figures show, the policy is working. In the winter of 1997-98, Vienna's tourism industry recorded a 5.4 percent rise in turnover and a 5.1 percent increase in overnight stays — 2.2 million for the period.

According to published reports, the total stock of capital invested by non-Austrian companies in the country came to 25.5 billion Austrian schillings (\$2.04 billion) in 1997. Of that, based on past experience, 60 percent probably went to or passed through Vienna, channeled by the city's powerful financial community to points elsewhere in Austria.

Opera and film

Vienna's tourist sector is likely to set new records in 1998. One reason is that Austria will hold the presidency of the European Union during the second half of the year. This event has further stepped up the pace of event-planning in the city. Here's a look at some of these activities.

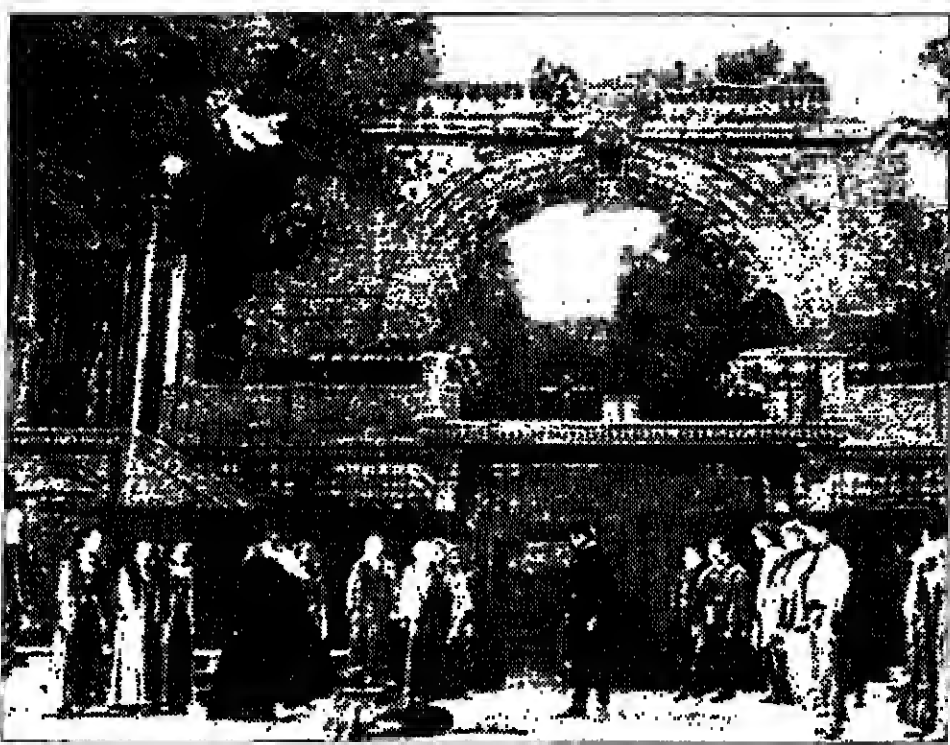
Kicking off the presidency, the Universe of Opera will be held July 3-5 at the city's Prater Stadium. This universe will welcome 50 of the world's leading opera singers, each of them performing an average of two famous arias. For more information, call (43 1) 580 60 or fax 580 60 80. The events are also listed on-line at www.info.wien.at.

Those who cannot attend the Universe of Opera will be able to watch Baltsa, Boccini, Behrens & Co. on screens set up in the downtown area. Not far away, a cinema festival will take place on the Rathausplatz (town hall square), starring Herbert von Karajan and Leonard Bernstein, who have conducted some of the world's best-loved operas on screen. The Music Film Festival will run from July 4 to Aug. 30. Each screening starts at sunset. And come hungry: There's a wonderful assortment of fare at stands lining the square.

Seraglio under the firmament

The mixture of outdoor cinema and cuisine will also be served up in the city's Augarten Park from mid-July until mid-August. Most of the movies screened will be in their original language (usually English). International music will also be featured. For more information, call (43 1) 585 23 24 25. The park is on the Gausplatz.

Four days after the Universe of Opera has come to an end, Vienna's next blockbuster classical music festival, Klangbogen, will



begin. For two months, from July 9 to Sept. 6, world-class opera and concerts can be heard in several of the city's most famous venues, including the Theater an der Wien and the Musikverein's Golden Chamber. Equally famous are the orchestras — among them the Vienna Philharmonic — and their directors: Lorin Maazel, Lord Yehudi Menuhin and Zubin Mehta. For more information, call (43 1) 400 084 10 or fax 400 099 841-0.

Five days after the Klangbogen has opened its doors, it's time to head to the Schönbrunn Palace for performances of Mozart under the stars. On the bill this year at the Mozart in Schönbrunn festival is the

opera "Abduction from the Seraglio." This is highly appropriate: One of Schönbrunn's most famous residents, Emperor Joseph II, commissioned the work. The festival runs from July 14 to Aug. 22. For information and reservations, call (43 1) 513 08 51 or fax 512 01 00 10.

Enviably dilemna

If you like both opera and jazz, you'll be facing a dilemma in early July. The Jazz-Fest starts on July 1 and runs for 10 days. Featuring everyone from Manhattan Transfer to John McLaughlin, it will be held in the city's clubs, squares and, principally, the Vienna State Opera. For more information, call (43 1) 503 56 47 or fax 503 55 44.

"Culture vultures" will be faced with another temptation in early July: Impuls+Dance. Many of the world's leading troupes will perform at this festival of modern dance (July 2-Aug. 16). For information and reservations, call (43 1) 523 55 58 or fax 523 168 39.

"Summer Stage on the Danube Canal" (May 15-Aug. 15) is less a festival than a party. The Summer Stage offers everything from jazz to beach volleyball, plus plenty of good food. Events start at 3 P.M. and continue until 1 A.M. (subway station: Rossauer Lände).

T.S.

BUSINESS AGENCY: A CRUCIAL LINK

Some 40,000 jobs have been created.

During the Vienna Business Agency's 16 years in existence, more than 32,000 corporations, government authorities and corporation founders have used its services, which include supplying information and facilitating contacts to help companies set up business or expand their operations in Vienna.

The agency has already provided this assistance to 731 companies, both Austrian and non-Austrian. More than 40,000 new jobs have been created in the process, and 32 billion schillings (\$2.57 billion) worth of capital has flowed in.

Top real estate supplier

The Vienna Business Agency is also a prime supplier of commercial and residential real estate. To date, it has provided 4.2 million square meters (45.21 million square feet) of buildable land to investors.

The agency set up the Euro Info Center in 1995. Last year, 1,000 companies and individuals availed themselves of the EIC's services, which consist of supplying information on European Union tenders and investment support programs, and locating potential business partners.

Over the last year, under the aegis of the Vienna Business Agency, the EIC has put its EU-wide tender information on-line. Soon to come: computer terminals providing Vienna's residents with on-line access to information on the EU.

T.S.



"Vienna" is synonymous with "music." Mozart, Haydn and Schubert are three of the city's most famous sons, and other composers, including Beethoven and Liszt, made their names there. Visitors to Vienna this summer will have dozens of opportunities to pay homage to classical and Romantic music. Opera, modern dance, film and — for those who like to stay active — sports will also be on offer. Clockwise from top left: young people enjoy the social scene, a statue of waltz king Johann Strauss in the Stadtpark and an outdoor opera at Schönbrunn Palace.

TELECOMMUNICATIONS ENGINE POWERS THE CITY'S ECONOMY

Foreign and domestic producers and providers of all sizes are choosing Vienna, thanks to its "infrastructure of innovation."

Telecommunications might be the hottest sector in Austria's economy at the moment. The mobile sector alone is increasing output and adding customers at a 150 percent annual rate.

The high growth rates are inducing the world's telecoms giants to invest in Austria-based production and distribution facilities, and in the country's rapidly growing number of network operators.

"As is the case with any business trend affecting Austria, Vienna is the epicenter of Austria's great two-way telecoms boom," says Klaus Fischbacher, managing director of the Vienna Business Agency. "Two-way, because many of our telecommunications companies, both producers and providers, both domestic and foreign-owned, both large and small, are using our city as their base for taking on all of Austria, Europe or even the entire world."

New developments

Take Ericsson. Like a number of its competitors, the Swedish producer has been systematically stepping up its D&M (development and manufacturing) activities in Austria. In May, Ericsson took a momentous step, putting its beefed-up Vienna-based operations in charge of the worldwide distribution of its local switching and DECT (digital European cordless telecommunications) outlets.

Or take United Telekom Austria, reportedly the largest of the 17 new network operators created in post-deregulation Austria. Like nearly all its counterparts, UTA is headquartered in Vienna. In early May, the company got a new majority owner: Swisscom, the Swiss national telecom operator. In March, UTA launched Austria-wide voice services. Next on its agenda: expanding into Central and Eastern Europe.

Finding and meeting needs

That step has already been undertaken by Mline, one of Vienna's burgeoning ranks of fast-growing telecom startups. The company was founded in 1994 by Roland Herrmann and Rudolf Happel, who perceived that Austria's consumers had an unmet need for such mobile telephone accessories as antennae. In 1997, Mline achieved a turnover of 100 million schillings (\$8.02 million), with the owners predicting a 50 percent rise for 1998.

The company has started up a subsidiary in Poland and plans to take on the rest of Europe via a master franchising system during the course of the year.

Can Vienna take some credit for having become a main object

of the international telecom sector's inward investment and a prime base for transnational expansion?

"Or was it simply a case of the 'central city effect'?" "No," says Mr. Fischbacher. "Had Vienna not had the necessary prerequisites, the international telecoms would have gone elsewhere in Europe and the startups wouldn't have been founded. We can definitely take credit for having put in place the entire 'infrastructure of innovation,' ranging from our high-capacity communication backbones to a plentiful supply of investment support funding."

New research center

An important new building block of this infrastructure will soon be forthcoming. In May, Vienna's city government joined with 15 locally based telecoms companies — both small startups and the offshoots of international giants

research centers highlights a very important fact: Telecommunications has become one of Vienna's core urban technologies. This term refers to those technologies often developed and first deployed in cities. In Vienna's case, in addition to telecoms, this expertise also includes environmental and transport technologies," points out Brigitte Ederer, the municipal councilor in charge of Vienna's finances and president of the Vienna Business Agency.

Core urban technologies

Ms. Ederer continues: "One major source of these urban technologies is Vienna's large range of well-respected scientific institutes. Their number, standing and output have made Vienna one of the world's major centers of research and development. One of the city's specialties is life sciences, comprising everything from advanced pharmaceuticals — including treatments promising to combat cancer and AIDS, many of them biogenetically generated — to telemedical systems, whose 'backbones' are formed by the latest breakthroughs in information and communication technologies."

Boosting business

During the first 11 months of 1997 alone, through the offices of the Vienna Business Agency, some 65 million schillings were dispensed to 100 highly innovative companies. This support has given a boost to the city's entire business community, thus securing jobs.

Vienna has long been considered the technology capital of Central Europe. The city now faces competition from the region's other nearby capitals, themselves engaged in processes of economic transformation. By participating in the European Union's INTERREG II and VITECC programs, the city of Vienna has equipped itself to stay at the forefront of urban development. T.S.



CAPITAL OF EUROPE FOR A SPELL

On July 1, Austria will assume the presidency of the European Union. To mark the occasion, a "Europa-Fest" and a summit meeting will take place in Vienna. Six months of conferences and festivals will follow.

These events will keep the world's eyes on Vienna. But that's not the only reason for taking a look at the city.

"Its cornucopia of historic charms notwithstanding, Vienna is now indisputably one of Europe's most modern cities," says Michael Häupl, the city's mayor.

"It is also a city with a clean environment, a city in which the problem of unemployment is being tackled head on, often successfully," he adds. "As how best to achieve economic transformation, to protect the environment and to create jobs are among the main thrusts of the EU's current work, it is very appropriate that Vienna will be serving as the EU's 'capital' for six months."

Major Summits and Conferences

- July 1-2: Meeting of the federal government of Austria and the European Commission.
- September 7-8: Conference of the EU's family ministers.
- September 20-22: EU-level conference on agriculture.
- September 25-27: Meeting of ECOFIN (EU finance ministers).
- October 11-18: Meeting of the European Youth Parliament.
- October 16-17: Special meeting of the European Union Council.
- October 29-30: EU-level conference on justice and internal affairs.
- November 5-6: International conference on combating the use of drugs (European Commission, United Nations).
- November 26-27: Urban Forum: a conference of European cities.
- December 11-12: Summit of the European Union Council.

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Figures as of close
of trading Friday, May 27

[illegible]

This table shows the performance of Managed-Invest mutual funds through Friday and includes the top 4,000 funds in terms of assets. There are roughly 6,150 funds currently listed on Nasdaq.

Group names are shown in bold face, with individual fund names in each group indented below. Funds that are not part of a group are not indicated.

NAV is the net asset value, i.e., the portfolio value divided by the number of shares outstanding. NAV is reported by the fund through Tuesday. **NAV** and **NAVCHG** are the previous Friday's closing price and the percentage change from the previous Friday.

Names listed footnotes: **c** = available only through a contractual plan; **n** = front-end and/or contingent deferred sales loads; **p** = fund assets are listed by price; **r** = redemption charges; **s** = fund assets are listed by sales load every \$10,000; **i** = footnote **p** and **s** apply.

Prices listed footnotes: **c** = net capital gains distributions; **i** = previous day's quotation; **s** = stock dividend or split.

CURRENCY RATES

مَكْرًا مِنَ الْإِصْلَاحِ

Change of Guard in Jakarta Raises a New Set of Challenges

As Politics Dominates, Can IMF Help? Executives 'Have Concerns' About Habibie

By Paul Blustein
Washington Post Service

WASHINGTON—Hubert Neiss, the Austrian economist who heads the International Monetary Fund's Asia department, is planning to fly early this week to Indonesia to start assessing prospects for a new economic rescue program.

Previous efforts to end the crisis in the world's fourth most populous country have proved fruitless — and the task looks more daunting than ever.

It's not just that riots have left large sections of Indonesian cities in ruins, or that the presidency has passed to B.J. Habibie, whose "zigzag theory of economics" is viewed dimly in IMF circles.

What makes the crisis particularly intractable is that Indonesia's most urgent problem is beyond the ken of economists such as Mr. Neiss. The country needs a government that commands enough popular support to offer some hope of stability. Until investors and business people — Indonesian and foreign — become convinced that the danger of political chaos has passed, financial confidence is likely to keep declining, putting Indonesia deeper into an economic hole.

Indonesia's would-be rescuers in the U.S. gov-

ernment and the IMF no longer speak as if the country's problems were purely economic. U.S. officials used to barp on the need for Indonesian authorities to adhere to the terms of the country's \$43 billion international assistance package by keeping interest rates high and eliminating subsidies and monopolies.

Now, while still demanding economic discipline, their prescriptions focus on issues that usually do not figure in IMF rescues, such as the need for "far-reaching political reform" and "building a stable democracy."

Several billion dollars in loans have been postponed indefinitely, and the U.S. government—which heavily influences IMF policy—has made clear that resumption of aid to Indonesia will depend on Jakarta's progress toward accommodating popular demands for a less repressive political system. Washington is being vague about what sort of political change it wants to see, partly out of deference to Indonesian sensibilities and partly to maintain flexibility in a still-unfolding crisis, and it is desperately hoping that Mr. Habibie will quickly and convincingly accept the

See IMF, Page 15

By Andrew Pollack
New York Times Service

On a trade mission to Indonesia this month, 40 American business executives met with a man who had recently been appointed vice president, B.J. Habibie, who assured his skeptical visitors that, unlike his predecessors, he had real power over domestic and foreign policy.

One of those making the visit said Mr. Habibie also had assured them that he was committed to economic reform.

Any doubts about whether Mr. Habibie had real power must have been erased last week, when he was named to succeed President Suharto.

But whether Mr. Habibie, who faces the job of rescuing Indonesia from economic collapse, is truly committed to reform is something that some American executives still question.

"We have concerns here," one businessman said. "He doesn't have a track record that suggests conservative fiscal management. It's just the opposite."

Of all Indonesian officials, Mr. Habibie is perhaps the best known to American business executives, largely because of his role in leading

Indonesia's efforts to develop an aircraft business, in which he worked with such companies as Boeing Co. and General Electric Co.

An aeronautical engineer by training, he was also minister for science and technology, which meant that virtually any U.S. company wanting to sell computers or telecommunications equipment in what was then a rapidly growing Indonesia probably came into contact with him.

But executives have mixed views, describing Mr. Habibie as a visionary but also saying that he has a weakness for reckless projects such as the decades-long effort to develop a supersonic industry, something that is extremely difficult for a country at Indonesia's stage of development.

A 70-seat commuter plane was produced, and Mr. Habibie announced plans to build a factory in the United States, but the plane has not yet been certified by the Federal Aviation Administration, orders have been few, and no American factory has been built.

The project is now being cut back as part of Indonesia's multibillion-dollar aid agreement with the International Monetary Fund.

See HABIBIE, Page 15

APEC Stays Cautious on Indonesia

Jakarta Gets Support But No Financial Aid

Compiled by Our Staff Finest Dispatches

KANANASKIS, Alberta — Finance ministers from Asia-Pacific countries signaled cautious support for Indonesia's new government, but they stopped short of offering a speedy resumption of aid to the troubled nation.

The finance ministers of the Asia-Pacific Economic Cooperation forum also called on governments to restore economic stability in the region, just a year after they endorsed ambitious plans to attract more international capital to Pacific Rim countries.

"What there is a degree of political turmoil in a country, an economic program has no chance of succeeding," the managing director of the International Monetary Fund, Michel Camdessus, said at the weekend meeting in this Rocky Mountain resort.

University Student Union Plays Business Tycoon

HYY of Helsinki Runs a \$200 Million Enterprise

By Barry James
International Herald Tribune

HEL SINKI—Students usually noted more for peccurios idealism than for capitalist prowess are getting top grades for running one of Finland's most successful medium-sized businesses.

HYY Group, which is owned by the Student Union of the University of Helsinki and directed by students, owns a block of the most valuable real estate in Helsinki, runs the largest youth travel company in Europe, publishes and sells books and operates a busy food-service and hotel division.

The group's president, **Tapio Kiiskinen**, shares strategic planning and day-to-day operations with student directors and an elected supervisory board that includes 12 to 18 students.

Mr. Kiiskinen said the group, which has more than 600 staff, forecasts sales this year of 1.1 billion Finnish markkaa (\$205.8 million).

In the more than 28 years he has been doing the job, Mr. Kiiskinen has found himself sharing the boardroom with everyone from Maoists to crusading ecologists.

"They want to make a revolution in the world, but not in their own organization, so I have had no problems with them," he said. "I've seen militant greens and militant feminists, you name it, but they all appreciate having their own organization."

Only once did ideology get in the way of a business decision, he said, and that

"We invested in a tea-processing plant in Zimbabwe because the students wanted to promote economic activity in a developing country," Ezzamel said. "But it was chaotic. When we had tea, we didn't have tea bags; and when we had tea bags, we didn't have string, and when we had bags and string, we didn't have tea. After three or four years, we dropped it."

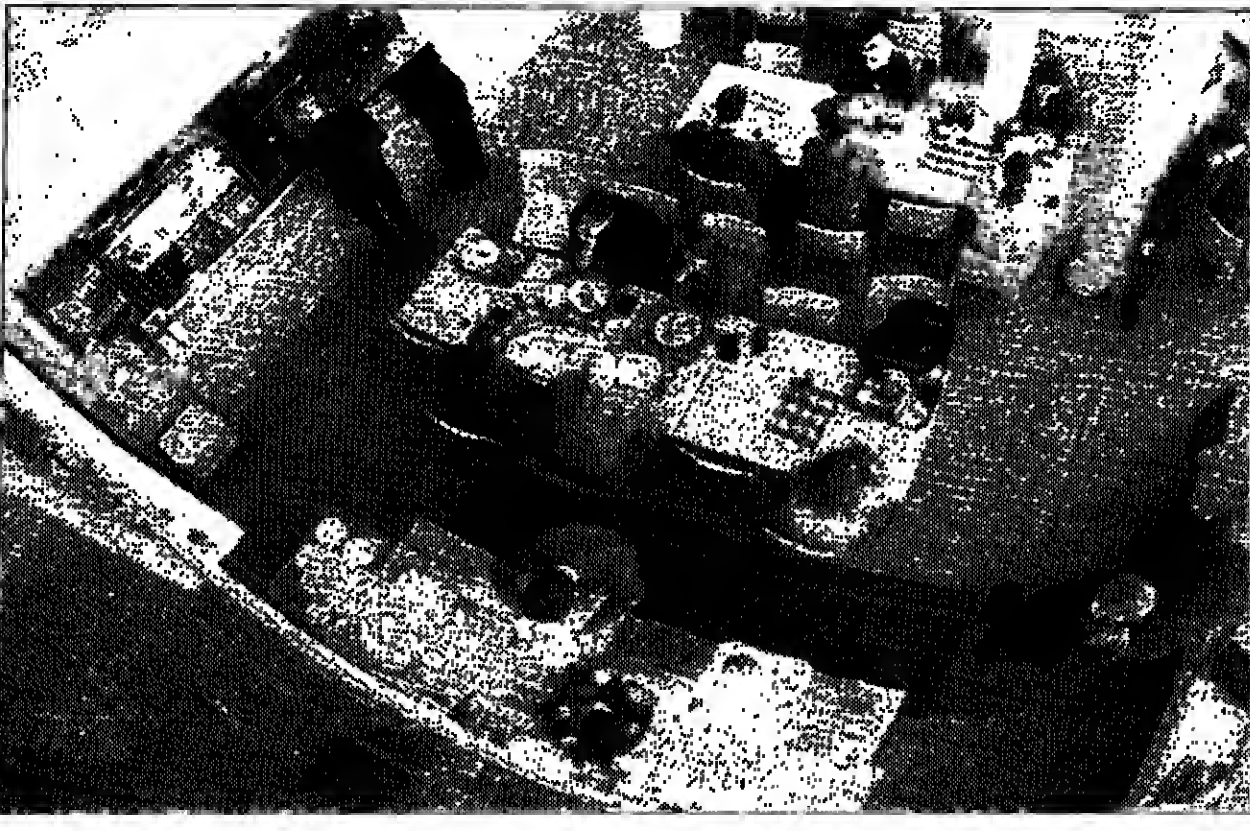
HYT is best known to the general public through its Copenhagen-based subsidiary, Kilroy Travels International A/S, which is aimed at so-called young independent travelers aged up to 26 and at students of any age. With subsidiaries in Denmark, Finland, Germany, the Netherlands, Norway, Spain and Sweden, the group operates 31 shops.

The travel group had net sales of 759 million markkaa in 1997, up from 655 million markkaa in 1996, and accounted for the bulk of the group's overall sales last year of 910.6 million markkaa.

HYT also owns 44,000 square meters (475,000 square feet) of property in Helsinki, including a shopping mall, with a market value of 1 billion markkaa.

HYT's catering division, which had sales of 66.2 million markkaa in 1997, has 19 restaurants in the Helsinki area, rents out a dormitory as a low-cost hostel during the summer recess and manages the student union's building, which it markets as a place for a vacation.

The book division, which had sales of 28 million markkaa last year, has four general book and stationery stores in



HYT's UniCafe restaurants sold more than 1.6 million meals in 1997. The group also has a travel business.

The foundations of HYY Group were laid in the last century, when students took out a loan to build themselves a sumptuous headquarters building in Helsinki as well as a number of other buildings that they could rent to raise cash to pay off the loan. From there, Mr. Kiiskinen said, "one thing led to another." The group's main responsibility is to gen-

Mr. Kiiskinen says HYY acts as an informal business school — or “a branch of the university in the science of life” — for students whose preoccupations may range only from Kierkegaard to calculus.

to the next generation of students. It keeps a low profile and an eye to the long term and tries to avoid speculative ventures.

Business decisions need the approval of a 60-member representative council, which is elected by the 30,000-member student body. Council members routinely excise investments in anything considered ecologically harmful, as well as in companies that make armaments, tobacco companies or drug-makers that use animals in experiments.

CYBERSCAPE

On-Line Research Gives Buyers Ammunition

By Mike Mills
Washington Post Service

WASHINGTON — The rug looked right at home in our den.

It was the size, color and thickness we were looking for. The dealer had been kind enough to let us take it for a day on a trial basis.

But my wife and I shared a lingering concern: Was it priced too high? When we asked about a discount off the stickered price, the salesman had quickly agreed to knock it down by \$100. Could be a real come-loner? Could we find it for less elsewhere?

Then I got an idea. I ran upstairs, booted up our computer, got on-line and typed the name and model number of the rug into the AltaVista search engine.

Sure enough, there were dozens of Web sites for rug stores across the United States. Within three minutes I had a printout of a price quote from a wholesaler who could ship us the exact same rug for \$150 less than we had paid.

We called our rug guy, told him what we found, and after

**But is it
local me
discount**

a few minutes on hold, he brusquely agreed to match the price.

The Internet is great for electronic auctions, in which sellers of automobiles and airplane tickets sling it out to

Some la the Internet that we can better brand for about had already card slip.

fair to tap the expertise of a merchant and then use the cyber-r to get a lower price?

offer the lowest price on special Web sites.

But this was different: This was retail against wholesale; local merchant versus cyber-discounter. The Net-geek slogan "information wants to be

contracts. the seller — which The bling price guar print said better price

—night tapping on quickly revealed that he had gotten a \$80 loan. But we checked the credit after checking, I learned that federal and state laws do allow a three-day "cooling off" period for sales that only applies if comes to your door as not the case. The store did have a notice, but the fine only applied if a was offered by a

NEW YORK — Thomas Florio, of The New Yorker magazine, moved out of his job by his brother, Corey, the president and chief executive of the magazine's parent Conde Nast Publications.

Tom Florio will be succeeded by Corey, the publisher of Conde Nast Garden, beginning this week. Ste said his brother would return to his position as publisher of Conde Nast and would oversee the magazine's move into overseas markets and assume additional title of vice president.

The personnel changes could signify a significant new chapter for The New Yorker, given the magazine's recent financial difficulties. Despite numerous awards

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New Yorker has not turned a profit since it was bought by S. P. Jr., the chairman of Advance, which owns Conde Nast and Time. Last year, the privately held magazine lost about \$11 million.

The moves come as Conde Nast folds the magazine into the operation of other 15 publications—including Vanity Fair—to save money on functions.

Tom Florio said he was excited by the opportunity to expand the magazine's markets, namely Britain, Latin America and Italy. "I'm delighted," he said, "to be wanted to take a new challenge." He had spent a half year at The New Yorker, but did this to make me happy."

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President Out at The New Yorker

Thomas Florio Is Ousted by His Brother, Conde Nast's Chief Executive

NEW YORK — Thomas Florio, president of The New Yorker magazine, has been moved out of his job by his brother, Steven Florio, the president and chief executive officer of the magazine's parent company, Conde Nast Publications.

Tom Florio will be succeeded by David Carey, the publisher of Conde Nast House & Garden, beginning this week. Steve Florio said his brother would return to his previous position as publisher of Conde Nast Traveler and would oversee the magazine's expansion into overseas markets and assume the additional title of vice president.

The personnel changes could signal a significant new chapter for The New Yorker, given the magazine's recent financial difficulties. Despite numerous awards and a

New Yorker has not turned a profit in the 13 years since it was bought by S. I. Newhouse Jr., the chairman of Advance Publications, which owns Conde Nast and The New Yorker. Last year, the privately held magazine lost about \$11 million.

The moves come as Conde Nast begins to fold the magazine into the operations of its other 15 publications—including Vogue and Vanity Fair—to save money on back-office functions.

Tom Florio said he was excited about the opportunity to expand the magazine into new markets, namely Britain, Latin America and Italy. "I'm delighted," he said. "I really wanted to take a new challenge after four and a half years at The New Yorker. I think they did this to make me happy."

[illegible]

to the information inside the heads of retailers, whose livelihoods depend on knowing something you don't know.

That is when the guilt set in. We had just spent an hour at this nearby rug store, a spacious place with hundreds of rugs, a friendly, creative staff and easy parking. The manager took the time to educate us on the various quality levels, quickly assessed what we were looking for and pulled out a half-dozen rugs to choose from. He even let us take the rug home for a free weekend tryout.

It was a familiar feeling, because that was not the first time I had used the Web to force down a local retailer's prices.

A few months earlier, we had bought some wooden blinds from one of those chain discount places. I had signed a credit card authorization to charge \$800 for six window shades. We bargained with the woman at the store and got the best deal we could. But buyer's remorse set in as soon as we got home.

store in the area. Cyberspace, in other words, did not count.

We were at the mercy of the woman at the store. The minute the place opened the next day I called her and explained everything. It took more than a week to get an answer, but ultimately the store agreed to match the price.

As with the rug experience, I was left with a sinking feeling.

Should a retailer, who has to pay rent, utility bills and labor costs, be expected to compete in price against Web-based wholesalers with none of those costs? What if I had I followed through and bought these items from the Web merchants? Would I have been taking unfair advantage of my local retailers, by steal-

ronautized my angst: Consumers pay too much, too often, because they lack the information necessary to make informed decisions. The Web finally might be tilting the free-enterprise system in favor of consumers.

Seeking validation, and a guilt-free way to show my face at the rug dealer's again, I checked Webster's for the precise definition of *laissez-faire*. It didn't let me down. It translates the French free-market battle cry as "let people do as they please."

Not just retailers.

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SAFRA REPUBLIC HOLDINGS S.A.
Luxembourg

ISIN LU000628263.5
Value Number (Switzerland) 595.113

Dividend Payment

At the Annual General Meeting of Shareholders held in Luxembourg on May 13, 1998, it was resolved that a dividend of US\$ 3.26 per common share (US\$ 1.63 after the split) be payable for the year 1997.

The dividend in respect of bearer shares will be payable from May 31, 1998 upon surrender of coupon Nr. 10 at the counters of the Company's paying agents listed below.

Stock Split

At an Extraordinary General Meeting of Shareholders held in Luxembourg on May 13, 1998, it was resolved to split the Company's common stock by exchange of one existing common share for two new common shares with a par value of US\$ 2.50 per common share. The split shall be effective May 31, 1998.

For holders of registered shares, the share register will be updated to reflect the split. Such holders will receive, upon request, new share certificates. Holders of bearer shares may have their existing share certificates updated at the counters of the Company's paying agents listed below, as from June 2, 1998:

Banque Internationale à Luxembourg S.A., Luxembourg
Republic National Bank of New York (Suisse) S.A., Geneva
Republic National Bank of New York (Luxembourg) S.A., Luxembourg
Republic National Bank of New York, London
Union Bank of Switzerland, Zurich

CAPITAL MARKETS ON MONDAY

EU's Plan to Fight Tax Evasion on Eurobonds Puts Markets in an Uproar

By Carl Gewirtz
International Herald Tribune

PARIS — Predictably, a furor is erupting over a proposal from the European Commission to capture taxes on bond-interest income that now is being lost to tax evasion.

Unpredictably, though, the brouhaha is not about the objective. It is about the method, which critics charge demonstrates a lack of understanding about financial markets, and about the timing — just before the introduction of the single currency, the euro, a touchy time to start fiddling with tax policy.

The tax evasion in question arises from the fact that all the EU countries allow interest on bonds held by non-residents to be paid free of any withholding tax.

The proposal would change that by

withholding at least 20 percent of any coupon payment to EU residents or by ensuring that the tax authority of the resident's state was informed that such a payment had been made.

The explosive element is the absence of any exemption for Eurobonds — the nearly \$4 trillion of tax-free bonds sold outside the issuer's home country. It was the tax-free status of the Eurobond market that drove governments to exempt nonresidents from domestic withholding taxes.

Under its former Conservative governments, Britain always rebuffed any attempt to interfere with the functioning of the Eurobond market, which is centered in London. Likewise, Luxembourg has always resisted efforts to undermine its role as a tax haven.

But Britain's current Labour government, while still eager to support the role

of London as the financial capital of Europe, seems loath to be pictured as protecting tax evaders, and Luxembourg, the smallest EU member, appears reluctant to use its veto power to thwart the will of the community.

In the commission's view, the Eurobond market will suffer little because the tax proposal applies only to individual EU residents — institutional investors and individuals of other countries are not affected. The commission's commentary on the proposal states that it sees no justification for excluding the Eurobond market from its scope.

But bankers and legal specialists argue that the commission has entered a minefield and that a financial disturbance and dislocation appear to be inevitable.

The most immediate threat is the triggering of the so-called gross-up clause in

most Eurobond contracts. If a withholding tax is imposed, the contract obliges the issuer to either pay the additional cost or redeem the bond.

The problem could be avoided by exempting existing Eurobonds and allowing new ones to be drawn up in future Eurobonds.

But as it now stands, the proposal could provide windfall profits for issuers and a firestorm of lawsuits from bondholders in third countries as otherwise noncallable debt that was sold in the late 1980s and early 1990s and that carries coupon rates that are eye-poppingly high in today's market are made eligible for prepayment by the change in tax status.

Notably absent from the organization that the commission said it had consulted were the Eurobond's two major bodies: the International Primary Market Association and the International Securities Market Association, both of which have publicly protested about the

unintended impact the proposal will have on the European capital market.

Critics jump on the commission's mis-use of market jargon as evidence of its lack of sophistication and failure to have consulted with market professionals.

The proposal names the "paying agent" as the collector of the withholding tax or the communicator to the tax authorities.

In market practice, the paying agent — a bank — is appointed by the issuer to distribute interest and principal payments. In the text, it is clear that the commission means whoever transacts directly with the individual investor.

The way around this, critics say, is to cut out EU-based intermediaries — driving business out of the community and out of the reach of tax collectors.

The commission's timing also has come under fire. Its target date of Jan. 1, 2001 would require considerable administrative preparation just as financial in-

termediaries are racing to assure continued smooth functioning at the start of the millennium and coping with the transition to the euro, which will physically replace existing national currencies in 11 countries in 2002.

Recalling the capital outflow of 300 billion Deutsche marks (\$170 billion) after Germany reimposed a domestic withholding tax on interest income in 1992, critics charge that fiddling with European taxes just as the euro is being introduced could result in a public relations disaster for the new currency.

If the tax change triggered a capital outflow that caused the euro to begin life in a nose-dive, the weakness could easily be interpreted as a vote of no confidence in the currency.

The timing on the tax bill has yet to be confirmed because the proposal needs unanimous political approval to become law. But bankers argue that now is not the time to risk rocking the boat.

Most Active International Bonds

The 250 most active international bonds traded through the Eurobond system for the week ending May 22. Prices supplied by Reuters.

Rank Name Cpa Maturity Price C1Y4

124 Argentina FRN 3.108 04/01/01 91.9853 3.3800

162 Austria 5 01/15/08 99.3500 5.0300

200 Austria 4.30 07/15/03 98.2500 4.2800

British Pound

115 Amnnington Fin zero 12/07/22 19.8750 4.7900

124 Britain 4 04/07/02 102.9130 6.8100

127 Amnnington Fin zero 01/10/23 17.7350 7.3500

131 EIA 6 05/07/03 99.5500 6.0300

140 KFW Int'l Fin 6 12/07/28 98.5430 6.0900

153 Amnnington Fin 7.081 01/22/23 95.9200 8.2900

198 Credit Local 6 05/01/03 98.2387 6.4900

209 Aire Volley FRN 7.652 11/04/39 99.8800 7.6600

Danish Krone

8 Denmark 7 11/15/07 112.4900 6.2200

9 Denmark 9 11/15/00 109.4100 8.2300

14 Denmark 8 03/15/08 107.3300 6.6200

16 Denmark 10 01/15/03 101.7100 5.9000

18 Denmark 8 05/15/03 112.7500 7.1000

25 Denmark 7 11/15/02 116.7000 6.9900

45 Denmark 10 11/15/00 105.0000 7.3000

55 Denmark 7 12/15/04 110.1100 6.3600

58 Denmark 6 11/15/01 109.6000 7.3000

61 Denmark 8 11/15/02 104.2000 6.7200

88 Denmark 6 02/15/99 100.8400 5.9500

91 Realcredit 7 10/01/29 100.9500 6.9900

96 Denmark 7 11/15/00 101.4800 8.5500

104 Nykredit 7 01/15/02 95.6000 6.2800

105 Nykredit 7 10/01/29 100.7500 6.9500

125 Nykredit 6 10/01/29 99.5500 4.2500

144 Denmark 7 10/01/29 100.3500 6.2900

177 Uniredit 6 10/01/26 97.8500 6.1300

218 Nykredit 6 10/01/26 97.8500 6.1300

Deutsche Mark

1 Germany 5 01/04/08 101.8538 5.1500

3 Germany 6 07/04/07 101.4000 5.0800

4 Germany 6 07/04/07 106.9800 5.2100

5 Germany 5 01/04/08 108.8543 5.5900

6 Germany 5 05/12/05 111.7300 6.1500

7 Germany 6 07/04/27 113.4500 5.7300

10 Germany 8 04/04/04 99.9800 4.5000

11 Germany 6 10/14/05 99.7829 5.7900

12 Germany 8 01/21/02 111.4450 7.1700

13 Germany 8 12/17/99 100.7200 4.2800

15 Germany 4 01/04/04 111.5900 6.2800

17 Germany 5 11/15/02 101.6983 4.7900

20 Germany 4 10/15/00 99.8100 4.0100

21 Germany 4 02/04/04 108.5129 5.7400

22 Germany 7 01/29/03 110.4444 6.5600

23 Germany 7 01/03/05 111.4500 6.4500

24 Germany 7 09/09/04 114.3800 6.5600

27 Germany 4 02/14/06 106.2500 6.7000

30 Germany 8 07/22/02 112.8475 7.9900

31 Germany 5 02/21/01 102.3671 5.1300

32 Germany 6 06/20/04 107.9800 5.5600

33 Germany 6 06/20/04 107.9800 5.5600

34 Germany 6 06/20/04 107.9800 5.5600

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46 Germany 6 06/20/04 107.9800 5.5600

47 Germany 6 06/20/04 107.9800 5.5600

48 Germany 6 06/20/04 107.9800 5.5600

49 Germany 6 06/20/04 107.9800 5.5600

50 Germany 6 06/20/04 107.9800 5.5600

Most Active International Bonds

The 250 most active international bonds traded through the Eurobond system for the week ending May 22. Prices supplied by Reuters.

Rank Name Cpa Maturity Price C1Y4

83 Germany 7 11/20/02 110.1825 6.4700

84 Germany 6 11/20/03 106.1350 5.6500

85 Germany 6 10/14/98 98.4992 3.2500

87 Germany 9 01/22/01 111.6250 8.0600

89 Germany 5 04/29/99 101.7100 5.4500

90 Germany 01/30/00 104.5700 4.6900

92 Germany 7 01/14/99 100.7500 4.9400

95 Germany 8 02/21/01 111.0225 7.5400

112 Germany 3 12/18/98 99.8400 3.5100

113 Germany 5 05/28/99 101.8400 4.5800

114 Germany 4 09/17/99 100.0300 4.0000

122 Germany 3 03/19/99 99.9500 3.7500

124 Germany 6 02/24/99 100.8000 4.7200

126 Germany FRN 3.259 09/30/04 99.3388 2.9200

128 Germany 8 08/21/00 109.0100 7.8000

132 Germany 6 12/17/98 104.4800 4.7700

144 Germany 4 03/04/04 107.5500 5.8100

150 Germany 6 07/15/04 110.4000 6.1100

151 Germany SP 2 07/04/27 105.1000 5.8400

160 Germany FRN 3.40 04/05/00 99.8000 3.4100

165 Germany 6 04/25/98 100.2425 6.1100

170 Germany 7 01/20/00 105.0000 6.9000

171 Germany 4 08/14/98 100.6000 6.3400

172 Germany 4 07/29/99 102.6500 6.0900

173 Germany 8 05/02/02 112.1500 7.1300

174 Germany 7 12/29/99 104.6000 6.5100

175 Germany 5 01/04/00 97.8200 5.1100

187 Germany 8 12/20/00 116.9700 8.0000

190 Germany 6 04/20/98 99.5754 4.4000

191 Germany 6 11/20/03 100.0000 6.0000

193 Germany 6 12/02/98 101.6200 6.7700

208 Germany 3 09/18/98 99.9400 3.5000

212 Germany 7 11/25/99 104.2700 6.7200

224 Germany 5 10/20/98 100.4271 5.2200

245 Germany 5 09/24/98 100.6300 5.5900

247 Germany 7 12/29/99 104.6000 6.5100

250 Germany 5 09/20/04 103.0613 3.4400

Dutch Guilder

29 Netherlands 5 07/15/08 101.4000 5.1700

39 Netherlands 7 01/15/23 124.5500 5.9300

45 Netherlands 9 01/15/01 111.3500 8.0800

47 Netherlands 7 04/15/10 100.8000 6.2600

48 Netherlands 6 01/15/04 101.8500 5.4700

54 Netherlands 5 09/15/02 104.4000 5.5100

59 Netherlands 6 11/15/05 111.5000 6.0500

69 Netherlands 6 02/24/01 110.7000 7.4500

103 Netherlands 5 02/15/07 105.4000 5.4600

117 Netherlands 8 04/15/02 113.4500 7.2700

119 Netherlands 6 04/15/98 100.3800 6.2300

120 Netherlands 8 09/15/01 112.5900 7.7500

134 Netherlands 5 01/15/28 98.5500 5.5600

143 Netherlands 6 02/15/99 101.9900 6.6200

146 Netherlands 6 02/15/02 112.5000 6.7200

152 Netherlands 9 05/15/00 108.9000 6.2600

155 Netherlands SP zero 01/15/23 24.8500 5.8000

166 Netherlands 8 09/15/07 123.1500 6.3700

167 Netherlands 9 10/15/00 110.4500 8.1500

168 Netherlands 8 01/15/07 122.6500 6.7300

169 Netherlands 8 05/01/00 108.2500 6.8800

170 Netherlands 6 03/01/05 114.4000 6.5800

171 Netherlands 5 11/29/00 111.5800 6.3000

178 Netherlands 6 07/15/98 100.3800 6.4800

181 Netherlands 6 02/15/03 109.9000 6.7800

182 Netherlands 6 04/15/03 108.0000 6.0200

189 Netherlands 6 01/15/06 106.9000 5.6100

195 Netherlands 7 10/01/04 113.3000 6.4200

201 Netherlands 4 07/15/99 103.5400 7.0300

204 Netherlands 9 07/01/00 109.4000 8.2300

213 Netherlands 7 01/15/00 105.6000 7.3400

221 Netherlands 6 05/15/99 102.9000 6.9800

231 Netherlands 6 08/15/99 103.5000 6.7600

242 Netherlands 7 03/15/99 102.4000 6.8300

Most Active International Bonds

The 250 most active international bonds traded through the Eurobond system for the week ending May 22. Prices supplied by Reuters.

Rank Name Cpa Maturity Price C1Y4

210 Ireland B 08/18/04 118.5700 6.2500

Japanese Yen

223 Austria 4 09/28/05 121.5000 3.7000

224 Austria FRN 1.539 01/25/99 100.3010 1.5500

Money Managers Still Like Microsoft

By Robert Hurtado
New York Times Service

NEW YORK — The U.S. government's antitrust case against Microsoft Corp., which goes to trial Sept. 8, is expected to be long and arduous. Shareholders naturally wonder what it bodes for the stock.

On Wall Street, many analysts are cautiously hopeful of a fairly painless settlement, but they expect the stock to underperform in the meantime. Several money managers who hold the stock offered their views on its prospects while the legal wheels turn and thereafter.

• **The market usually overreacts.**
Kevin Landis, portfolio manager for the Firsthand Technology Value fund and Technology Leaders fund in San Jose, California, said snap market reactions to legal battles tended to fade into irrelevance over time, as continued innovation often renders disputes moot more quickly than they can be resolved.

• **Plenty of upside remains.**
Robert Turner, chief investment officer of Turner Investment Partners in Philadelphia, who manages the Turner Growth fund, said Microsoft's stock price could go up quite a bit even if the

legal battle were long.

There are "a lot of deferred earnings associated with Windows 95," he said, that make Microsoft's stock look "undervalued" even at its current high price/earnings ratio of 54.

INVESTING

Even if the government prevails, Mr. Turner does not foresee a collapse in the stock; rather, he thinks it would become more of a market-average performer.

• **Microsoft isn't preoccupied.**
Scott Schoelzel, a manager of the \$8.5 billion Janus Twenty fund in Denver, visited Microsoft last week and returned convinced that the company had a strong hand that it was playing well and would not be frozen by Justice Department scrutiny.

• **In the short run, the stock trades sideways.**
"Mr. Schoelzel said, "because people need time to sort things out." But Microsoft has not lost credibility on Wall Street, he said. As the company shows it can isolate the distractions of the legal fight, he said, "the stock will begin moving forward again."

• **The government may settle for token concessions.**
Philip Orlando, chief investment officer for Value Line Asset Management, said Microsoft would not perform well until the black cloud of government intervention had passed; but pass it will, he said. "I believe, with minor modifications, Microsoft will be the big winner," he said. "Once the government gets shot down, the stock soars" to \$110 this year and \$130 the next, he said. Microsoft closed Friday at \$85.5625.

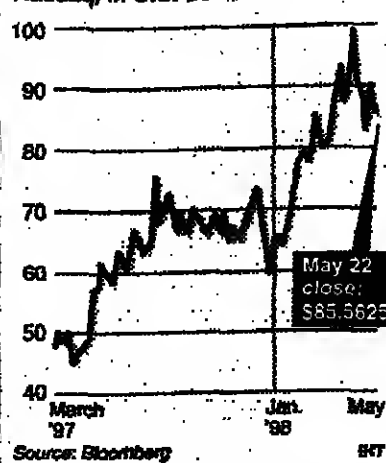
• **"Baby Bills" may be on the way.**
Michael Murphy, editor of the California Technology Stock Letter in Half Moon Bay, California, brushed aside the short-term implications of the suit because Windows 98 is not vital to Microsoft's profit this year. But other threats loom.

• **Once the government starts down the line with antitrust concerns, they start focusing on companies and sectors, tending to break a company up, because it's the only instrument they have,"** he said. "Microsoft is an easy company to break up." But that may not be bad: After American Telephone & Telegraph Co. was broken up in 1984, the "Baby Bell" stocks did well, and shareholders benefited greatly, Mr. Murphy said.

• **Big money may flee.**
Microsoft is a bellwether company owned by institutions that emphasize short-term results, said Richard Cripps, chief market strategist at Legg Mason in Baltimore. Fears that Microsoft's growth may be cramped could lead them to sell and look elsewhere. But Microsoft has more than \$12 billion in cash and adds \$2 billion more a quarter, he said.

Feeling No Pain

Microsoft's daily share price on Nasdaq, in U.S. dollars.



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"It is simply one of the great franchises of our time," Mr. Cripps said.

Major EU Banks Missed Asia Warning, Study Says

By Carl Gewirtz
International Herald Tribune

PARIS — Banks in major European Union financial centers stand out among their peers as having most badly misjudged the financial turmoil that engulfed Southeast Asia last year, according to data released over the weekend by the Bank for International Settlements.

The data show that between June 30 and Dec. 31 of last year, total international bank lending to Asia declined 2 percent even as total bank lending rose 6 percent and lending to all regions except Asia showed increases.

U.S. banks cut their Asian exposure by 9 percent, and the Japanese — suffering big domestic losses and under pressure to reduce total lending — pared their Asian loans by 7 percent.

Within Europe, banks in Austria, Belgium, Finland, Ireland, Italy, Luxembourg, Spain and Sweden also rolled back lending to the region as the financial crisis that began just before last summer in Thailand began spreading by year-end to neighboring countries.

But running against this tide were banks in the major markets of Germany, France, Britain and the Netherlands.

Lending by the Germans rose 3 percent, to \$49 billion. French exposure rose 6 percent, to \$43 billion. British banks posted a 9 percent increase, to \$32 billion, and the Dutch increased lending 35 percent, to \$17 billion.

The bank does not break down sector lending by nationality, but the data show that lending to the public sector in Asia remained virtually unchanged while lending to banks in the region fell 9 percent.

At the same time, lending to the non-bank private sector rose 4 percent. Lending to the private sector rose 25 percent in the Philippines, to \$8 billion; 13 percent in China, to \$29 billion, and 8 percent in South Korea, to \$34 billion. It was unchanged in Indonesia at \$40 billion and down 5 percent in Thailand, at \$39 billion.

• **While partly related to concerns about the soundness of local banks,** the Bank for International Settlements said, "the growing proportion of loans to the onbank sector raises particular questions concerning the prevention and resolution of financial crises, as the recent experiences in Asia have highlighted."

At year-end, European banks accounted for 47 percent of international bank lending to Asia, compared with 10 percent for North American banks and 30 percent for the Japanese. Other banks accounted for 13 percent.

In lending to all developing countries, the European banks accounted for 56 percent, North American ones 16

percent and the Japanese 18 percent. The Bank for International Settlements, which tracks global banking activities, published the semiannual data six weeks earlier than usual in response to pressure from governments and other international institutions for more timely reporting.

SHORT COVER

Iran to Seek Buyers For Energy Projects

TEHRAN (Blomberg) — Iran will offer 22 oil and gas projects valued at billions of dollars for international tender at a seminar in London on July 1, according to official reports Sunday. Hojatollah Ghanimi, a director of state-owned National Iranian Oil Co., told the official news agency IRNA that Iran would accept bids from "all foreign energy companies, including those from the U.S."

The London meeting will be followed by a conference in Tehran at a date yet to be arranged, he said.

German TV Alliance

Faces EU Rejection

BRUSSELS (AP) — Kirch Group and CLT-Ufa have jeopardized a planned digital-television alliance in Germany by rejecting changes in their agreement proposed by the European Union, a spokesman for the EU said Sunday.

"They will make no further changes," a spokesman for the EU's competition chief, Karel Van Miert, said. "We will have to submit a negative opinion on Wednesday," when the European Commission is due to vote on the groups' plans to market a digital-television decoder. The two media groups rejected EU demands for modification of their plans in a letter Saturday to the EU's executive commission.

BA Said to Be Seeking A Pact With Cathay

LONDON (Reuters) — British Airways PLC has opened talks to bring Cathay Pacific Airways Ltd. of Hong Kong into its proposed alliance with American Airlines Inc., The Observer said Sunday.

The Sunday newspaper quoted a senior airline industry source as saying the three airlines were holding negotiations on a major marketing link-up.

IMF: Donors Find Indonesia's Political Stability Replacing Economics as Main Concern

Continued from Page 13

need for change so that the country can start restoring confidence.

The Indonesian crisis has continued to rattle financial markets in other countries, and "the negative signals that people have seen about doing business in Indonesia mean that the economic situation in the country is far worse than it was before," said Gregory Fager, head of the Asia department at the Institute of International Finance, an organization of financial institutions that invest in emerging markets.

At the IMF, officials grimly acknowledge that the bleak economic outlook means Indonesia's rescue program must be drastically overhauled less than three weeks after its latest version was approved. For example, on Friday, Indonesia's currency, the rupiah, was trading at 11,250 to the U.S. dollar, which is about half the target value for the currency set under the most recent plan.

Asked whether a bigger bailout would be needed, Stanley Fischer, the IMF's deputy managing director, said last week that while the international community might balk at providing more funds to the Indonesians, "they will need more money to achieve what they wanted to achieve before."

In forging a new rescue, the IMF may have one advantage — a perception among the Indonesian public that the

Fund stands for reform, as it demanded the dismantling of cartels and monopolies linked to Mr. Suharto.

In addition, the IMF will not insist on keeping the cuts in food and fuel subsidies that triggered some of the rioting, according to Mr. Fischer, who said Indonesian authorities themselves had de-

cided to make those cuts quicker and more onerous on the poor than the Fund had advised. But well before the economic terms of a rescue will come the complex problem of how to move toward establishing a government that looks as if it can survive pressure from the powerful military, students, Muslim leaders, and

other interests in Indonesian society.

"It needs to wait a bit," said Robert Rubin, the U.S. Treasury secretary, when asked Friday about negotiations for a new bailout. "The key now is to have the kind of economic and political circumstances in Indonesia that would enable the program to be effective."

HABIBIE: Executives 'Have Concerns' About the New Leader

Continued from Page 13

"He's certainly an extremely intelligent guy, and he's also a guy who has demonstrated a commitment to the future," said David Rothkopf, a former Commerce Department official who is now president of Newmarket Co., an international advisory firm based in Washington.

"With the force of his personality, he can make improbable things happen — at least to a certain degree."

Mr. Habibie, who speaks English and German, is often described as full of energy and enthusiasm, a person who talks a mile a minute, goes off on tangents and is almost impossible to shut up once he gets going.

"He always has ideas," said Ernest Bower, president of the U.S.-ASEAN Business Council, a group of 400 American companies with business interests

in Southeast Asia. "It seems like they are hitting him like electric shocks."

Many questions remain about what will happen during Mr. Habibie's tenure, even about how long it will last and whether the military will support him.

Still, some business executives say he could be good for American business.

"He's tight with Boeing, he's tight with GE," said George Benson, a Washington-based consultant to American oil companies who has spent much of his career working for Pertamina, the Indonesian state oil company. "He's been here and comes every year. He's on a first-name basis with a whole flock of CEOs of big corporations."

Mr. Habibie's interest in technology could open opportunities for U.S. companies. Scott McNealy, chief executive of Sun Microsystems Inc., once described Mr. Habibie as "an energetic Renaissance man who knows and understands

technology." His office, Mr. McNealy wrote after his 1993 visit to Jakarta, was "more like a museum for model planes, hundreds of them." But some Americans worry that Mr. Habibie's ties are stronger to Germany, where he was a student and where he spent many years working at an aircraft company, or to Japan, a big investor in Indonesia.

Mr. Habibie is not a big believer in free markets. He has been extremely close to Mr. Suharto, which makes people question whether he will really dismantle the network of crony capitalism that Mr. Suharto erected.

Some also question his commitment to human rights. When he met with the American business delegation this month, he brushed off questions about rights issues, noting that the United States also had problems and contending that any abuses in Indonesia had been caused by rogue police officers or soldiers.

Still knowing each chorus and chord by heart. Even when you're in your nineties. Sounds like science fiction to you? Not to us. Because Hoechst Marion Roussel, our pharmaceutical company, is conducting extensive research in the fight against Alzheimer's and other diseases that affect the elderly. For we strongly believe that with time we'll find ways to make these diseases only a memory.

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Imagine being in your nineties and still able to recite every word Springsteen ever wrote.



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Hoechst AG, D-65926 Frankfurt, <http://www.hoechst.com>

Consolidated prices for all shares
traded during week ended Friday,
May 22

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Continued on Page 1

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SPORTS

Floyd's 2-Run Double Keys Marlins' Victory

Glavine's 3-Hitter Leads Braves Over Cubs

The Associated Press
Cliff Floyd hit a two-run double in the eighth inning on Sunday as the Florida Marlins rallied for a 4-3 victory at home over the Pittsburgh Pirates.

Floyd and Edgar Renteria both went 2-for-4 for the Marlins, who overcame a 3-0 deficit. Jermaine Allensworth had two hits and drove in a run for Pittsburgh.

Jay Powell (4-2) pitched the final two innings in relief of the Marlins' rookie starter, Jesus Sanchez, who allowed three runs and nine hits in seven innings.

Braves 3, Cubs 1 In Atlanta, Tim Lincecum pitched a three-hitter and Michael Tucker singled home the winning run in the ninth inning.

Glavine (7-2) struck out 10 in his first complete game of the season. He gave up a leadoff homer to Manny Alexander, then retired 27 of the next 30 batters.

Rodriguez 3, Reds 1 Bobby Jones allowed only two hits in seven innings and Larry Walker extended his hitting streak to 19 games, the longest in the majors this season, as visiting Colorado beat Cincinnati.

Vinny Castilla hit a debreaking, two-run single in the sixth inning, setting up the Reds' seventh loss in nine games.

Cincinnati had only two baserunners and one of them was erased on a double play. The Reds sent 28 batters to the plate, one over the minimum.

In games played Saturday:

Mets 3, Brewers 0 Mike Piazza lined a double in his Mets debut and Al Leiter pitched New York past Milwaukee. Leiter (4-3) struck out seven, walked one and allowed only one runner past first base.

A week after the Los Angeles Dodgers traded Piazza to Florida, the Marlins dealt the All-Star catcher to the Mets on Friday for three prospects.

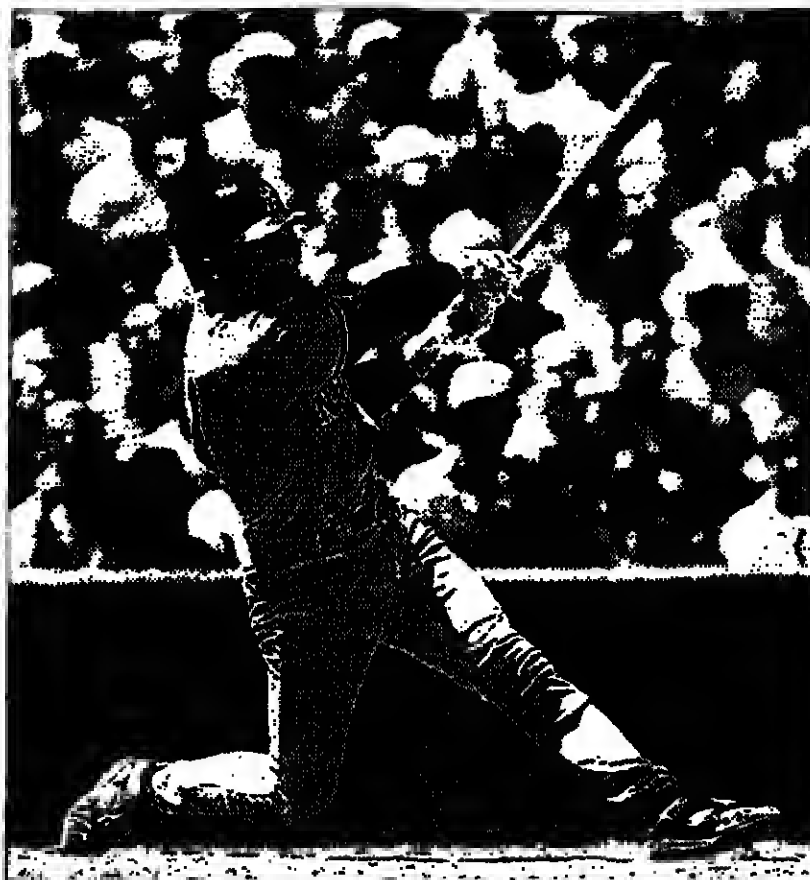
Piazza, who arrived at the ballpark just two hours before the game because of a flight mix-up, grounded out and struck out before hitting a solid double to the right-center-field gap for the Mets, scoring a run to make it 2-0 in the fifth.

Cardinals 11, Giants 10 Mark McGwire homered twice, giving him seven in his last five games and raising his season total to 23, and the Cardinals hung on to beat visiting San Francisco.

Cubs 10, Braves 8 In Atlanta, Manny Alexander hit a bases-empty homer for the Cubs in the eighth off Mike Cather. Then, in the ninth, Kerry Ligtenberg blew a save, giving up an RBI double to Brant Brown's and a two-run double to Mark Grace.

Astros 4, Padres 3 Sean Berry hit a go-ahead, two-run homer off Dan Miceli in the eighth inning for host Houston. With the Astros trailing, 3-2, Miceli (4-2) walked Derek Bell, and Berry broke an 0-for-9 drought at bat by connecting for his fifth homer.

Phillies 10, Marlins 4 Jon Lieber (2-6) recorded his first victory since April 26, giving up three runs in the first but allowing no hits in his final five innings. The visiting Pirates overcame a 4-1 deficit, scoring four runs in the third.



The Yankees' Chuck Knoblauch swinging into a grand slam homer.

Expos 3, Phillies 2 In Montreal, Chris Widger's bases-loaded single with two outs in the bottom of the ninth inning off Curt Schilling lifted the Expos.

Dodgers 7, Diamondbacks 1 In Phoenix, Ramon Martinez pitched a two-hitter in his first complete game this season.

Yankees 12, Red Sox 3 David Wells wasn't perfect, just pretty good, and that was good enough for Chuck Knoblauch's grand slam and Scott Brosius's three RBIs to lead the New York Yankees over the Boston Red Sox.

In his first start since his perfect game May 17 against Minnesota, Wells (6-1) had just one bad inning in seven on Saturday and won his sixth consecutive decision. Darren Bragg's single in the first was the only hit off Wells in the first

Blue Jays Blank Tribe

Williams Gives Up Just 4 Hits in 7 Innings

The Associated Press
Woody Williams allowed four hits in seven scoreless innings, after flitting with a no-hitter in his last start, and Dwight Gooden lasted only three innings in his Cleveland debut as the Blue Jays beat the Indians, 5-0, on Sunday.

Williams (5-2) struck out four and walked four in his first start since taking a no-hitter into the eighth inning against Tampa Bay on Tuesday. The right-hander has allowed only eight hits and two runs in 22 innings for a 0.82 ERA in his last three starts.

Gooden (0-1) allowed three runs and seven hits in three-plus innings in the first start of his 13-year career for a team that does not play in New York.

After starting the season on the disabled list with hip flexor tendinitis, Gooden was knocked out by five consecutive singles in the fourth. He walked two and struck out two, leaving to a mix of cheers and boos.

Craig Grebeck had three hits and drove in three runs for visiting Toronto, and Cleveland's David Justice singled in the first for his 1,000th career hit.

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three innings while the Yankees built an 8-0 lead.

Blue Jays 7, Indians 2 In Cleveland, Mike Stanley homered twice and Roger Clemens bounced back from one of the worst starts of his career. Clemens (5-5) gave up three hits in eight innings.

White Sox 7, Tigers 1 Hours after the White Sox fired their pitching coach and batting instructor, Mike Sirota pitched a four-hitter to lead the team to a victory — only the second in seven games for Chicago (19-26). The team replaced pitching coach Mike Pazik with Nardi Contreras and batting instructor Ron Jackson with Von Joshua.

Rangers 7, Royals 3 Aaron Sele became pitching's first eighth-game winner and host Texas won its 10th straight at home. Bill Haselman doubled home the go-ahead run in the sixth inning and homered for the Rangers. Johnny Damon went 3-for-4 for the Royals.

Devil Rays 6, Mariners 3 In Seattle, Wade Boggs hit a two-run single in a four-run ninth inning as Tampa rallied to send the Mariners to their fifth straight loss. Seattle's bullpen failed to convert a save chance for the 11th time this season.

Orioles 9, Athletics 1 In Oakland, Doug Drabek's pitching and Jeffrey Hammonds' first career grand slam put a stop to the Orioles' nine-game losing streak, the longest since their 0-21 start in 1988. Drabek (4-5) pitched a four-hitter.

Twins 9, Angels 5 In Los Angeles, the loser on May 17 when David Wells pitched a perfect game at Yankee Stadium, won despite allowing five runs and six hits in 6 1/2 innings.

Miller Handles Ankle Sprain and Bulls

The Associated Press
INDIANAPOLIS — Even a hum ankle couldn't stop Reggie Miller from killing the Chicago Bulls.

Miller showed why he is one of the best clutch players in the game, making three 3-pointers and two key free throws while hobbling on a sprained right ankle late in the fourth quarter Saturday —

even jumping for joy after a few key plays — as Indiana held off Chicago, 107-105, in Game 3 of the Eastern Conference finals.

Miller scored 13 of his 28 points in the fourth quarter and was 9-for-15 from the field after going a combined 9-for-27 in Games 1 and 2.

"He's a consummate pro, knows how to play the game," Michael Jordan said. "We forgot him a couple times and he made some big shots. Reggie is known for that."

Miller said of his ankle: "I heard something pop. It's still hurting pretty bad. But I'm going to have somebody work on it."

He left little doubt that he expects to play Monday in Game 4: "I've got to play. I've got to be there. Whatever it takes, I'll be out there. I've got a whole day of treatment. Going to go round-the-clock."

The Pacers cut their deficit to 2-1 in the best-of-seven series.

In the Western Conference finals, the host Los Angeles Lakers lost to the Utah

Jazz on Friday night, 109-98, and now trail that series 3-0.

For all Miller's heroics, the Bulls could not have done it without their reserves. Jalen Rose led Indiana's point production off the bench with 15, while Travis Best had 11 and Antonio Davis added 10 points and 12 rebounds. All three were on the court late in the game instead of Indiana's starters.

Miller's clutch shooting was almost negated by the 3-point shooting of Scottie Pippen and Michael Jordan. Each made a 3-pointer in the final 40 seconds as the Bulls closed to 103-102, but Davis made two foul shots with 22 seconds left to make it 105-102.

The Bulls were unable to set up a 3-pointer on their next possession, and Jordan drove the lane and was fouled. Jordan made only one of two, then the Bulls fouled Miller with 10 seconds left and he made both free throws for a 4-point lead.

Pippen dunked the ball just before the buzzer, but it was too little, too late.

"They picked us apart to some degree," Jordan said. "We'll be fine. Today's just a bump in the road. We had a missed opportunity here, but I like our chances."

The Pacers did all the things they said they needed to do to make this a competitive series. They cut down on their turnovers, committing only 15, got help from their bench and fair treatment from the referees.

They also reached their magic number by surpassing 100 points, making

them 28-0 this season when they reach triple figures.

Jordan led Chicago with 30 points, while Pippen had 23 and Toni Kukoc 14.

Mark Jackson added 13 points for Indiana and Rik Smits had 12, but neither was much of a factor in the deciding moments. Instead, it was Miller. He sank two 3-pointers and a jumper in a span of 90 seconds as the Pacers opened a 97-89 lead. Miller's final 3-pointer came with 1:34 left, making it 101-93.

Chicago came right back with three foul shots and two 3-pointers, including the final one by Jordan after Steve Kerr tipped an offensive rebound out to him at the arc.

The Bulls then fouled the player they wanted to foul, but Davis — a poor free throw shooter — made both.

Rose, then, played tight defense on Jordan, preventing him from taking a 3-pointer that could have tied the game and swung the momentum squarely Chicago's way.

Miller burt his right ankle when he stepped on Jordan's foot midway through the third quarter. With Miller unable to move at full speed, Jordan took advantage by getting wide open for a 3-pointer that made it 68-60 with six minutes left.

The Bulls were ahead 77-69 before Indiana closed the quarter with an 8-0 run to tie the game.

The Pacers started out with a hurst, hitting their first seven shots to open an 18-11 lead.

Vikings' Chief To Bid Again?

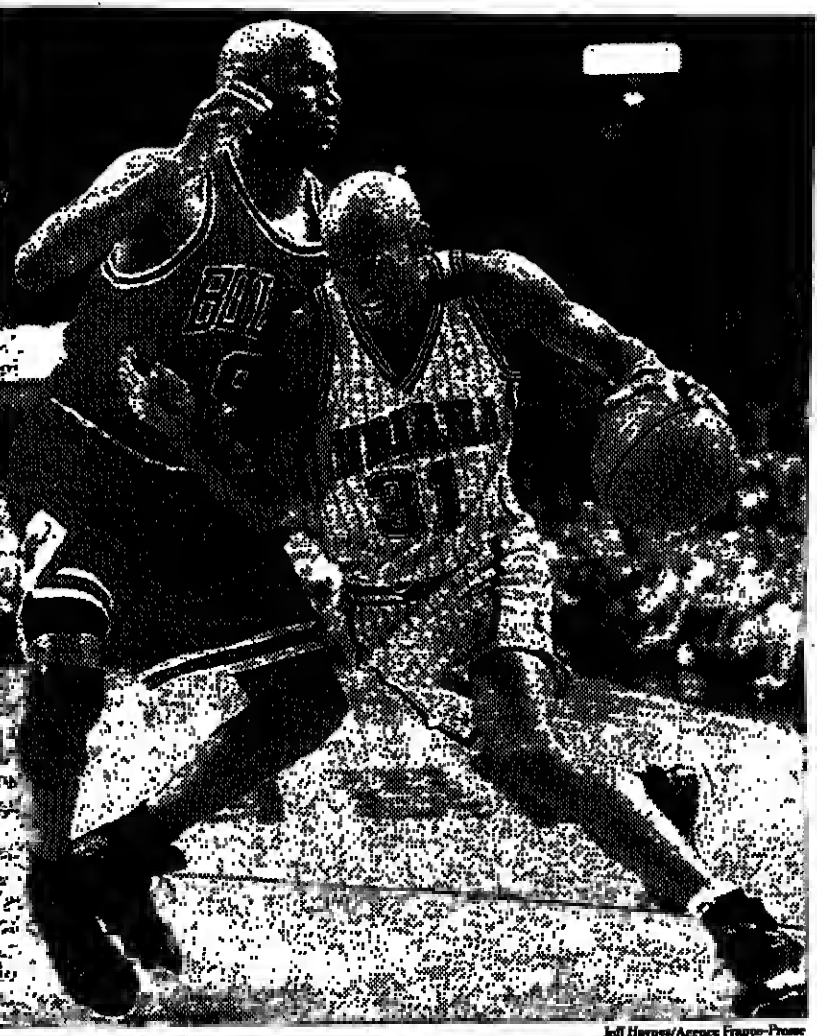
The Associated Press
MINNEAPOLIS — The Minnesota Vikings president, Roger Headrick, is expected to make a new offer to buy the team in an effort to avoid starting another bidding process.

The Vikings' board of directors, which met Friday after the novelist Tom Clancy withdrew his \$200 million bid because of financial problems, made no decisions about the team's future, but planned to meet again Monday.

The key issue is the right-of-first-refusal bylaw in the partnership agreement. Headrick could not be reached for comment, but co-owners said he had asked if the board would accept his offer to buy the team without taking other bids.

"We've got to look at other bids," said the board's chairman, John Skoglund. "We've got other people who have already said they want to bid."

Others who might bid for the team include a Texas businessman, Red McCombs; the Minnesota Twins' owner, Carl Pohlad; the Minnesota Timberwolves' owner, Glen Taylor, and the Philadelphia Flyers' owner, Ed Snider. McCombs bid \$175 million and Headrick \$178 million before Clancy's \$200 million offer was approved in February.



The Pacers' Reggie Miller, right, driving past Ron Harper of the Bulls.

SCOREBOARD

BASEBALL

MAJOR LEAGUE STANDINGS

AMERICAN LEAGUE			
EAST DIVISION			
Team	W	L	Pct.
New York	30	12	.714
Boston	27	17	.613
Tampa Bay	24	24	.500
Seattle	22	25	.468
Baltimore	17	32	.347
CENTRAL DIVISION			
Cleveland	27	20	.574
Minnesota	26	21	.558
Chicago	18	28	.396
Detroit	17	29	.368
Kansas City	16	31	.341
WEST DIVISION			
Pittsburgh	21	26	.446
Los Angeles	20	27	.426
San Diego	18	29	.383
Oakland	17	30	.362
NATIONAL LEAGUE			
EAST DIVISION			
Atlanta	24	17	.586
Philadelphia	22	24	.479
Florida	19	27	.410
Cincinnati	16	32	.337
CENTRAL DIVISION			
St. Louis	20	23	.465
San Francisco	18	25	.417
Chicago	17	26	.396
Pittsburgh	16	29	.354
Chicago	14	34	.294
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WORLD ROUNDUP

Cipollini Is Super

CYCLING Mario Cipollini captured his third stage victory in four days Sunday, edging two fellow Italians, Silvio Martinello and Endrio Leoni, in the eighth stage of the Tour of Italy.

Alex Zülle of Switzerland finished in the same time as the winner and retained the pink jersey of overall leader, a few seconds ahead of the Italian runner-up, Michele Bartoli.

Bartoli reduced his deficit from 11 seconds to five seconds by pocketing a bonus for the second consecutive day in a midcourse sprint.

Cipollini completed the 191-kilometer (118-mile) stage, a mostly flat course from Matera to Lecce in southern Italy, in 5 hours, 8 minutes, 47 seconds. (AP)

Montgomerie in the Lead

GOLF Colin Montgomerie shot a 7-under-par 65 on Sunday to take a one-stroke lead going into the final round of the British PGA Championship in Virginia Water, England.

Montgomerie had six birdies and an eagle for a three-round total of 205, 11 under par. He is one stroke ahead of a fellow Scotsman, Dean Robertson, and Mats Hallberg of Sweden. Robertson shot a 67 on Sunday, while Hallberg had a 69.

"Fifteen under par will win," Montgomerie said.

In danger of missing the cut before finishing with two birdies and an eagle Saturday, Montgomerie came up with his best golf of the tournament despite a sloppy finish.

He three-putted the 16th for a bogey, parred the 17th and birdied the relatively easy 18th after missing a chance for an eagle.

Trailing the leader by two strokes are Ernie Els of South Africa, Gary Orr of Scotland and David Gifford of England. Els shot a 69 Sunday, while Orr and Gifford shot 68s. (AP)

Kenyan Wins in Prague

ATHLETICS Elijah Lagat of Kenya, told five years ago he would die if he did not lose some weight, won the Prague marathon Sunday in a course record of 2 hours, 8 minutes, 52 seconds.

Lagat was told by doctors five years ago that his life was in jeopardy because of obesity. He subsequently took up marathon running with such effect that he was second-fastest man in the event last year and the clear favorite for Sunday's race.

Lagat trailed another Kenyan, Samson Kandie, until the last three kilometers, when he raced away to leave Kandie, who was running his first marathon, a creditable second in 2:09.12.

Ezeal Tihobo of South Africa came in third in 2:09.53. (AP)

Hakkinen Captures Monaco Grand Prix

The Associated Press

MONTE CARLO — Mika Hakkinen of Finland won his fourth Formula One race of the season Sunday by capturing the Monaco Grand Prix in a McLaren-Mercedes and nearly lapping the entire field.

Giancarlo Fisichella of Italy was second in a Benetton-Playlife, 11.4 seconds behind, followed by Eddie Irvine of Britain in a Ferrari and Mika Salo of Finland in an Arrows — the only other cars on the same lap at the finish.

Jacques Villeneuve of Canada, the Formula One driving champion last season, was fifth in a Williams-Mecachrome. He has yet to finish in the top three in any race this year. Pedro Diniz of Brazil was sixth in another Arrows.

In contrast to the rainy conditions over the past two years, it was dry and sunny.

It was the fifth career victory for Hakkinen. Counting the victory in the last race of 1997, he has won five of the last seven Formula One races.

Hakkinen became the second Finn to win the Monaco race. Keke Rosberg won it in 1983.

The hopes for another McLaren-Mercedes 1-2 sweep vanished in smoke coming out of the famed Loew's tunnel on the 18th lap when David Coulthard's engine blew up, just after setting the fastest lap up to that point in 1 minute, 22.955 seconds.

It was the first major engine failure for the McLaren team this year.

The cars had placed 1-2 in three races and taken the top two times in qualifying in five of the six trials so far this season.

Michael Schumacher, the winner of

three of the last four races here, had a rough ride. After starting in fourth place, he finally overtook Fisichella on the pit stop change in the 31st lap but ended up stuck behind Fisichella's teammate, Alexander Wurz.

For more than five laps Schumacher tailed Wurz, looking for a place to pass. Finally, Schumacher was able to get around Wurz for second place with a daring move on the curve entering the tunnel, seconds after he and Wurz had changed places twice within 100 meters at the hairpin turn.

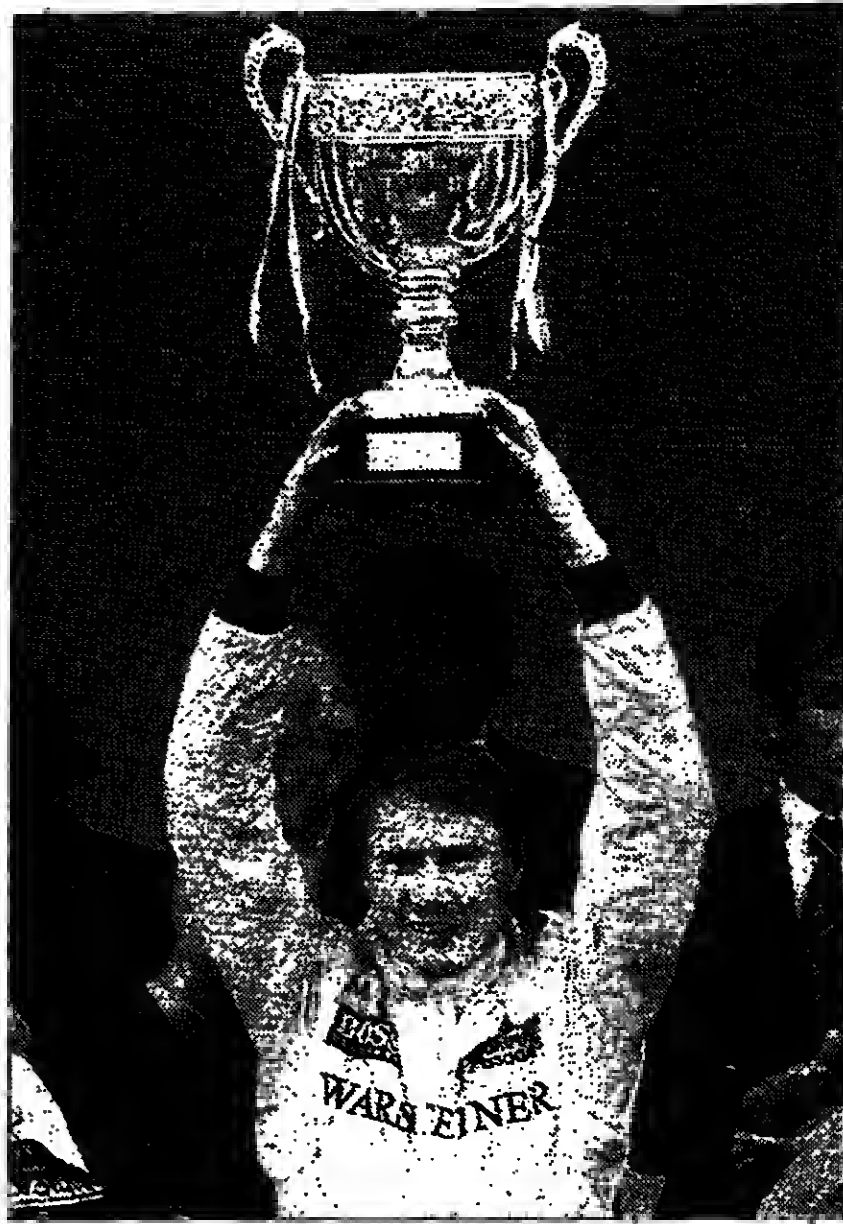
Then suddenly Schumacher went into the pits after a left absorber arm broke. He got out of the car, thinking his race was over. However, the car part was repaired and he went back into the race. But he was three laps behind Hakkinen and in 16th place. Schumacher tried hard but could only get to 10th place by the end.

Cheever Victorious In Indianapolis 500

The Associated Press

INDIANAPOLIS — Eddie Cheever, who had only one major victory in his career, won one of the biggest motor races of them all on Sunday, pulling away from Buddy Lazier to capture the 82nd Indianapolis 500.

Cheever's other victory came in a rain-shortened event at Walt Disney World in January 1997.



Mika Hakkinen showing off his trophy Sunday after winning in Monaco.

Young Players Lead Germany To Victory In Team Cup

The Associated Press

DUSSELDORF — Nicolas Kiefer handed Petr Korda his first loss at the World Team Cup Sunday in a rain-soaked match as the German team captured the French Open time-up.

Kiefer, encouraged by the home crowd, upset the world's No. 2 player, 7-5, 6-3, as Germany won the event by sweeping the Czech Republic, 3-0, at the \$1.9 million, eight-nation round-robin tournament.

Korda seemed to have trouble with the delays imposed by rain showers that swept the court.

After the last one, the Australian Open champion came back on court with a 4-3 lead and a break in hand. Then he promptly dropped both his service games and the first set.

"The balls were heavy and the courts slow — but it was the same for both of us," said Kiefer, ranked 20th.

Tommy Haas, the second of Germany's two 20-year-old Davis Cup players, had rolled past Slava Dosedel, 6-1, 6-4, in the first singles.

Boris Becker and David Prinosil completed the sweep with a 6-4, 4-6, 6-2 triumph against Daniel Vacek and Cyril Suk in the battle between two countries that had been unbeaten after group play.

Korda has been working hard on his clay game in hopes of lifting Pete Sampras's No. 1 ranking at the French Open. He posted wins over Mark Philippoussis, Michael Chang and world No. 7 Jonas Bjorkman, carrying the Czechs into the final.

The wiry left-hander had complained about the cold weather Friday, but still managed to beat Philippoussis.

Against Kiefer, Korda's powerful backhand was neutralized by the slow courts, while his forehand often sailed into the net — the last one giving the German an easy match point.

While most players seemed to regard the event as a clay-court warm-up for the French Open, the Germans were pleased over the stellar performances of their two new stars in front of a home crowd.

The popularity of Haas and Kiefer in the country has soared, helping fill the vacuum created by the loss of Becker, who now only plays occasionally, and the former Wimbledon winner Michael Stich, who has retired.

Haas, especially, proved to be a crowd favorite as he swept four matches without dropping a set, dispatching Fabrice Santoro of France and Sergi Bruguera of Spain along the way.

He drew a standing ovation after he ripped Dosedel with his big serve, giving the 27-year-old Czech no chance in the match.

"It's a huge kick to know that many people are on my side," said Haas, who is ranked 43d and is a protégé of the tennis guru Nick Bollettieri.

"He can beat anybody on any surface — I have high hopes for him," said Becker, Germany's team leader.

'New' French Open: Welcome to 'Roland Garros'

By Christopher Clarey
International Herald Tribune

PARIS — "In a way, it's like an amusement park now, like Tennis Land," said Patrice Clerc, one of those who approved the new rides.

The face of the French Open, which begins Monday, has changed considerably since Clerc took over the job of tournament director in 1984: so much so that it is becoming difficult even for old hands to remember precisely what used to be there.

But it isn't just the new show courts, the new Internet café or the new blueprints that presage more building and renovation in the years ahead.

The spirit of the event has changed with the times, too, and somehow it seems deeply symbolic that after the gardener Robert Grignard retired and moved away last winter, his small home in the middle of the grounds was turned into yet another boutique for the tournament's burgeoning line of licensed products.

Marketing strikes again, and le marketing, as it is known here, helps explain why Clerc and his team are encouraging the world to stop calling their event the French Open and start calling it what everybody in France and much of Western Europe calls it: Roland Garros.

Foreign television broadcasters have been asked politely to respect the change, which is an honor for Roland Garros, a World War I aviator who died shortly before the armistice and actually preferred rugby to tennis, but bad news for fans in places like middle

America and southern Africa who had gotten accustomed to the French being Open.

Whatever one calls the most important clay-court event, it should be particularly compelling this year with the women's game especially top-heavy in talent.

Though Steffi Graf, Mary Joe Fernandez, Anke Huber and the promising teenager Mirjana Lucic all withdrew from this event because of injuries or illnesses, there are plenty of gate attractions remaining.

The world No. 1 women's player, Martina Hingis, remains the favorite for the title. At age 17, she has won four of the last five Grand Slam singles titles — all except last year's French — and the clay-court events in Hamburg and Rome this season.

Anna Kournikova, who won't turn 17 until the last Sunday of this tournament, beat Hingis in Berlin two weeks ago, and Venus Williams, already 17, took Hingis to three sets in the Italian Open final despite very little clay-court match experience. A year ago, Williams made her Grand Slam debut at Roland Garros and lost in the second round as her younger sister, Serena, who was not entered in the event, watched from the stands.

"Last time, I don't think I was supplied with the knowledge or wisdom to keep on winning," said Venus, who is seeded eighth and will face Tamarine Tanasugarn of Thailand in the first round Monday.

If Hingis and Venus Williams do play for the fifth time this year — each has won twice — it would be in the quarterfinals. Others who could fall in the first round include the No. 5 seed, Amanda Coetzer, who

faces the other Swiss miss, Patty Schnyder, and No. 11 Mary Pierce, who faces Belgium's slumping but still dangerous Sabine Appelmans. The oft-injured, often emotional Pierce, who plays for France, has yet to become a crowd favorite at Roland Garros despite reaching the final here in 1994. But if the French do relent and support her, she still could become the first French women's champion since 1967.

Marcelo Rios is much likelier to become Chile's first French Open champion.

Everyone from current world No. 1 Pete Sampras to the former world No. 1 John McEnroe agrees that Rios will be the man to beat over the next two weeks if his fragile left elbow does not cause him too much pain. He already has reached the Australian Open final this year and won three of the ATP's Super 9 events.

Rios could be the player this tournament has been searching for to bolster its prestige since Jim Courier fell short of his third straight title in Paris in 1993. The small Chilean with the big chip on his shoulder is an all-court threat with the speed and combative temperament to reach the top and stay there a while.

But if he falters, there is no shortage of others eager to win their first French Open. There are the Spaniards: Alberto Berasategui, Alex Corretja, Carlos Moya, Felix Mantilla and, injured arm willing, Albert Costa. There are Petr Korda, Karol Kucera, Richard Krajicek, Andre Agassi and Cedric Pioline. There is also Sampras, but before we get ahead of ourselves, perhaps it's best to see how Sampras fares against Todd Martin in his very tricky first-round match on Monday.



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